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How High Is the Tariff?

By PHILIP G. WRIGHT

Comparitive Tables a Help But a More Satisfactory Answer Must Await the Conduct of Business Under the New Act. Six Principles Which Guided Congress Produced Apparent Inconsistencies. Consumer Regarded As a Producer Who Will Receive General Benefits

THE Tariff Act of 1922, which has just become law, is characterized by inconsistencies which might lead one to assume a lack of principle on the part of its framers.

Sugar received a rate of duty higher than in any act since 1883 while blackstrap (crude molasses) received a rate much lower than that imposed even under the "free trade" Underwood Act, and in the bill as reported by the Senate Committee was made free.

Wool and Cotton

Raw wool received a duty higher than in any preceding act while raw cotton, even the long staple variety whose sponsors were clamorous for protection, remained on the free list.

Dyes barely escaped an embargo and received a rate which is claimed in many cases to amount to an embargo while potash is to remain free of duty. Yet dyes and potash resemble each other to the extent that they were both war industries and previous to the war had been imported from Germany.

Upon cutlery was imposed a nearly prohibitory duty, while agricultural implements are to be free. Both are manufactured products, mainly of iron and steel.

Iron and Lumber

Pig iron, a crude, basic raw material for manufacturing of all kinds was withdrawn from the free list and made dutiable while lumber, a crude product occupying about the same place in the industrial scheme as pig iron, was suffered to remain, with only a provisional retaliatory clause affixed.

Examples might be multiplied, but these inconsistencies should not be charged to a lack of principle but rather to a superabundance of principles which interacted in the framing of the bill and often conflicted. These principles may be briefly enumerated as follows:

1. The dominating motive was protection to the American producer.

In nearly every paragraph of every schedule some American producer received first consideration, though sometimes one producer was given consideration at the expense of another. Scant courtesy was afforded importers and consumers. As to consumers, though some speakers attempted at once to hunt with the hounds and run with the hares by claiming that high duties did not make higher prices, the general theory appeared to be that the same individuals who were consumers were also producers and would be sufficiently cared for if attention were given to them only in the latter capacity, and that in any event the "era of good times" which was to be ushered in by the tariff would somehow diffuse itself throughout the whole community.

Tempering

2. Tempering and moderating a too extravagant grant of protection were several factors.

First, the need of revenue. Duties were not to be so high, except, perhaps, in the case of certain "key" industries as actually to kill importation.

Second, there lurked in the background a reminiscence of the public resentment which had followed the increased duties of the McKinley and Payne-Aldrich Acts as manifested in the following elections.

Third, as in all protective acts, accommodation had to be attempted between conflicting interests. Often protection to one industry meant injury to another which used its

finished product as a raw material. To the latter might be given a compensatory duty but this did not help it in its export trade.

3. The need of increased revenue, while operating to prevent duties from being placed so high as to kill importation, operated also to increase duties in many cases to the maximum revenue-yielding point.

The Farmer Bloc

4. The emergence in politics of the "Farmer Bloc" exercised a profound influence upon the act. The avowed policy of this bloc to promote the interests of the farmer without regard to the welfare of other classes resulted in the free admission, or admission at as low a rate as could be obtained, of articles essential to farmers in the pursuit of their business, and a high duty on the products of the farm

5. There was a strong sentiment in favor of imposing an embargo, or a duty so high as to amount to an embargo, upon certain "key" industries regarded as of vital national importance especially in case of war.

Equalizing Costs

6. Acquiescence by other members of the committee in rates urged by a fellow member as of importance to some of his constituents and incidentally to himself. This can hardly be dignified as a principle, yet the final determination of hundreds of rates was the result of a sort of "higgling" between members of the committee.

To adjust the conflict inherent in the first two principles mentioned above, the general principle employed was that of equalizing costs of production, with a predisposition not to exceed the Payne-Aldrich rates. An elaborate tabulation known as the Reynolds report was prepared for the Senate Committee on Finance in which for all commodities subject to ad valorem duties the following data were secured:

The Working Data

The country from which imported.
A description of the foreign article.
A description of a comparable domestic article.
The foreign value in the United States currency.
Landing charges (including freight, insurance, etc.).
The rate and amount of the present duty.
The rate and amount of overhead and profit on landed cost including duty.
The selling price of the foreign article in the United States.
The selling price of the comparable domestic article.
The rate in the House bill on the basis of American valuation.
The rate under the Act of 1909.

With this report before it the Senate Committee examined item by item the House rates and raised or lowered them with a view, first, to reducing them to the basis of foreign valuation, and, second, to the determination of a rate, so based, of sufficient magnitude to make the price of the foreign article plus transportation charges, duty, overhead, and profit equal to the price of the domestic article.*

*It may be remarked in passing that the application of the above plausible principle for fixing duties is, if rigorously followed, simply to forego all economic advantage from international trade. Each country has a comparative advantage over other countries in the production of certain articles. This comparative advantage springs from natural resources, differences in soil and climate or in the dispositions and aptitudes of the people, and manifests itself in a lower cost of production. The economic advantage of international trade arises from the exchange by each nation of the articles in which it has a low cost of production for the articles of low cost of production in another nation. By this process each nation gets its commodities with a minimum expenditure of human effort in the forms of labor and capital. Levying a duty equal to this difference in costs, therefore, exactly neutralizes all advantages.

Tariff Experts

In this task of equalizing costs the experts from the Tariff Commission were in constant requisition. They were able greatly to assist the Committee not only in this task but also in harmonizing rates between interrelated commodities. The commission was not authorized under the law creating it to suggest rates, but it could determine a derived rate based on a rate already established. With a given rate on raw wool, for example, it could determine what rate should be placed upon a certain grade of cloth to compensate the manufacturers for the duty on raw wool.

Departures from the Payne-Aldrich rates in the direction of higher duties were in a large measure due to the pressure of the "Farmer Bloc." Its power was made manifest by the passage of the Act of May 27, 1921 (the Emergency Tariff), which greatly increased duties on a large number of agricultural products. For the most part the emergency rates were at least retained and in many instances increased in the permanent act which has just gone into effect. The table

TABLE 1

Article	Act of 1922	Emergency Tariff	Act of 1913	Act of 1909
Wheat	30c. per bu.	35c. per bu.	Free	25c. per bu.
Flaxseed	40c. per bu.	30c. per bu.	20c. per bu.	25c. per bu.
Corn	15c. per bu.	15c. per bu.	Free	15c. per bu.
Potatoes	50c. per 100 lbs.	25c. per 100 lbs.	Free	25c. per bu. (41.6c. per 100 lbs.)
Rice (Cleaned)	1c. per lb.	2c. per lb.	1c. per lb.	2c. per lb.
Lemons	2c. per lb.	2c. per lb.	18 to 70c. per package	1½c. per lb.
Beef and Veal Fresh or frozen.	3c. per lb.	2c. per lb.	Free	1½c. per lb.
Cotton Having a staple of 1⅜ inches or more in length.	Free	7c. per lb.	Free	Free
Wool (Unwashed)	31c. per lb. of cleaned content	15c. per lb.	Free	Class 1—11c. per lb. Class 2—12c. per lb.
Sugar, 96° Centrifugals				
Full duty	2.206c. per lb.	2c. per lb.	1.256c. per lb.	1.685c. per lb.
Cuban duty	1.765c. per lb.	1.6c. per lb.	1.005c. per lb.	1.348c. per lb.
Molasses Testing not above 52% total sugars and not to be used for the extraction of sugar or for human consumption.	1/6c. per gal.	24%	15%	20%
Butter and Butter Substitutes	8c. per lb.	6c. per lb.	2½c. per lb.	6c. per lb.
Milk (Fresh)	2½c. per gal.	2c. per gal.	Free	2c. per gal.
Cheese and Cheese Substitutes	5c. per lb.	23%	20%	6c. per lb.

at the left will show for some of the more important agricultural products the rates under the Act of 1922, the Emergency tariff, the Act of 1913, and the Act of 1909.

Beef and Potatoes

It will be noted that in the case of flaxseed, beef, potatoes, wool, sugar, butter, and milk there is an increase not only above the Payne-Aldrich rate but even above the Emergency tariff.

The pressure of the "Farmer Bloc" is evidenced not only in an advance in rates on some articles; it was equally potent in securing low rates on others. In spite of strong pressure by the interests concerned, potash and lumber including laths, clapboards, and shingles remained on the free list.

Basic Fertilizer

Potash is a basic fertilizer. It is imported in large quantities from Germany. When the German supply was cut off by the war a considerable potash industry developed in the United States. The potash interests were sufficiently strong to secure in the House bill a gradually diminishing duty for five years. This provision was stricken out in the Senate, but was restored, with the period diminished to three years, in the Conference Committee. The House, however, ordered the bill back to conference with instructions to strike out the proviso and restore potash to the free list.

In regard to lumber it should be stated that the pressure for a duty came chiefly from the Pacific northwest. A large portion, perhaps a majority, of the lumber manufacturers themselves stood for free lumber. One reason for this unusual attitude on the part of manufacturers was that the waning forests had led them to make investments in Canada and they desired a free American market for their Canadian product.

In the matter of hides there was a division of opinion. The ranchers of the far west wanted protection, but the men who raised cattle in connection with general farming calculated that they would lost more by a high price of leather products they they could gain by a duty on raw hides and their opinion prevailed.

Victory for Farmers

The low duty on molasses shown in the table was also a victory for the "Farmer Bloc." The sugar interests of Louisiana desired and obtained a high duty upon molasses both in the Emergency tariff and in the Fordney bill as it passed the House. The House rate (a sharply ascending sliding-scale rate) is retained in the final form of the act except upon molasses not testing above 52 per cent. total sugars and "not imported to be commercially used for the extraction of sugar, or for human consumption." This low grade molasses (blackstrap) is extensively used for cattle feed and as a raw material for industrial alcohol. The Senate Committee put it on the free list. In the Conference Committee it was given a low rate of duty—1/6 of a cent per gallon, equivalent to from 6 to 10 per cent. on Cuban blackstrap—lower even than the rate under the Underwood Act. In addition to these specific instances the "Farmer Bloc" exerted a steady pressure to reduce rates generally upon manufactured articles.

TABLE II

ARTICLE	Act of 1922	Act of 1913	Act of 1909
Citric Acid	17c. per lb.	5c. per lb.	7c. per lb.
Bleaching Powder	3/10c. per lb.	1/10c. per lb.	1/5c. per lb.
Starch:			
Potato	1¾c. per lb.	1c. per lb.	1½c. per lb.
Wheat	1c. per lb.	½c. per lb.	1c. per lb.
Glassware	50 to 65%	45%	60%
Iron in pigs	75c. per ton	Free	$2.50 per ton
Coal Tar Products, including Dyes	For 2 years 7c. per lb. + 50 or 60%; Thereafter 7c. per lb. + 40 or 45% American valuation	30% Explosives free	20 and 30% Explosives 2 and 4c. per lb.
Earthenware (Plain)	45%	35%	55 and 60%
Potash (Crude)	Free	Free	Free
Lumber, including Clapboards, Laths and Shingles.	Free. Lumber provisionally dutiable	Free	Sliding scale from $1.25 to $2.75 per M ft.; Clapboards, $1.25 per M; Laths, 20c. per M; Shingles, 50c. per M.
Wool Blankets Valued at not more than 50c. per lb.	18c. per lb. +30%	25%	22c. and 33c. per lb. + 30 and 35%
Woven Wool Fabrics Weighing not more than 4 oz. per sq. yd. and valued at not more than 80c. per lb.	37c. per lb. +50%	25 to 40%	33c. and 44c. per lb. + 50%
Newsprint Paper	Free	Free	3/16 and 3/10c. per lb.
Other Printing Paper	1c. per lb. +10%	12%	5/10 and 8/10c. per lb. Valued above 5c. per lb. 15%

The Case of Dyes

The most striking instance of a high duty for the purpose of protecting a "key" industry is found in the case of dyes. Before the war dyes were imported chiefly from Germany. The war, cutting off this source of supply, practically created the American industry. This achievement involved not only heavy investment and the assembling of many skilled laborers but a vast amount of chemical research and experiment. The Germans, long in the field, had at their command a store of scientific information which must be rediscovered and put on a commercial basis by their American competitors. Until this has been accomplished Germany was at a great advantage. Dyes are coal-tar products: so also are explosives. There is a close connection between the chemical processes involved. To many Americans besides the dye manufacturers it seemed of vital importance that the domestic dye industry should be preserved at all hazards because of its close relation to national defense. A similar sentiment had already led England and France to embargo dyes, and the United States had followed suit in the Emergency Act of 1921 with a

temporary embargo, granting, however, the right to import under special license when importers could show that the particular dye in question could not be obtained from domestic sources. The fight for a continuation of this temporary embargo was carried on in connection with the present act and powerful pressure was brought to bear upon both Houses of Congress. It ultimately failed, but so persistent was the dye lobby that even after the embargo had been repudiated in the draft of the bill submitted to the Conference Committee, it was able to induce the committee to report with a dye embargo embodied in the bill. The House, however, voted to refer the bill back to the committee with instructions to strike out the paragraph. The embargo was lost but the duties substituted are said in many cases to amount to a virtual embargo.

The final resultant of all these higglings and pressures is the present act, a measure highly, but not consistently, protective. The many changes in classification and in the basis for computing duties make a direct comparison with preceding acts difficult, but a few items may be cited to show the general tendency. Table II should be read in connection with the rates shown in Table 1.

In the Payne-Aldrich Act the manufacturers of wool goods received much protection disguised in what was supposed to be merely a compensatory duty. Schedule K was one of the "scandals" of the act. In the present act, while the duty on raw wool is high, the compensatory duty is no more than sufficient and the net protection is at least open to view.

Average Rate

When an act has been in operation for some time, it is possible to compute an "average rate" by dividing the total revenue by the total imports. Computed by this method the average rate on all dutiable goods under the Payne-Aldrich Act for the years during which it was in operation was 40.7 per cent., and on all goods (free and dutiable), 19.4 per cent. Similar averages for the Underwood Act are 27.2 per cent. and 92 per cent. respectively, and for the combination of Underwood Act and Emergency tariff, 29.4 per cent. and 11.4 per cent.

Treasury Estimate

In applying this method, however, it should be noted that, as many of the rates are specific, the equivalent *ad valorems* will decrease with rising prices. Under the Underwood Act the averages on dutiable goods decreased from 37.6 in 1914 to 16.4 in 1920, and on all goods from 14.9 in 1914 to 6.4 in 1920. Hence as prices are now on a higher level than before the war even if the present act should show an average no higher than the Payne-Aldrich, that average would indicate a much higher range of duties.

Treasury experts estimate that the new act will yield about $400,000,000 a year in revenue, half of which will be derived from the following four items:

Sugar, $87,000,000.
Raw wool, $63,000,000.
Tobacco, $35,000,000.
Laces and embroideries, $15,000,000.

Mr. McCoy, actuary of the Treasury, figures that on its face the average as obtained above will show somewhat lower than the Payne-Aldrich average, but that as many of the rates are so high as to be inoperative and hence incapable of affecting such an average, the actual averages of rates as written is higher than a similar average for the Payne-Aldrich Act. The higher range of prices will also tend to make the former type of average appear lower.

An innovation in the present act is the provision giving the President power to raise or lower rates not more than 50 per cent. in order to adjust them to changing relative costs of production, the facts as to costs of production to be obtained by the Tariff Commission.

It is difficult to obtain domestic costs of production and will probably prove impossible for foreign costs except in a few cases. It is likely that in most cases the best that can be done will be to infer costs from prices as was done in using the Reynolds report. Even if costs can be accurately ascertained a difficulty will arise. The experience of the Tariff Commission brings out the fact that no two establishments manufacture at the same cost. In applying a rate of duty to equalize costs which costs should be compared? A President of protectionist leanings will be disposed to compare a low foreign cost with a high American cost, impose a high duty, and thus accord protection even to the more inefficient domestic producers, while a President of free trade proclivities, pursuing an opposite course, will feel justified in fixing a rate which will accord protection only to the more efficient.

It is too early to pass judgment upon the merits of the act as a whole. The effects of tariff legislation depend largely upon the psychologic reaction of the business world. If the measure of protection accorded by the act restores confidence in the future, and this restoration of confidence results in an era of prosperity, the people are likely to pass a favorable judgment in spite of the high rates of duty and probably higher prices. On the other hand, if the business world remains skeptical and the period of unemployment and depression still continues, the higher prices are likely to lead to a reaction and the act will share the fate of its high protective predecessors, the McKinley and Payne-Aldrich tariffs.

The Exhibits

Chief in interest among the exhibits at the convention headquarters in the Commodore Hotel was that of the Federal Reserve Bank System, which included some commanding presentations of the economic work of the bank, and pictorial explanations of all that is involved in business by the creation and cancellation of a draft. Included in this picture was a fifteen-minute motion picture, "The Federal Reserve," which, while simple in treatment, possesses high educational value as it presents in an unmistakable manner through a series of town and country pictures—ranging from an alfalfa field to a bank vault—just how the Federal Reserve functions, giving a comprehensive view of its operations and the usefulness to the business of the average man—both employer and employee.

Grand Central Terminal—With the Headquarters Hotel at the Right

Convention Broke All Records

An Unprecedented Gathering of Bankers Contributed by Their Presence and Their Counsel to The Series of Conferences on Finance, Economics and Business

NEVER before has there been such a convention of the American Bankers Association as the forty-eighth annual convention which opened in New York on October 2. In point of attendance it exceeded all expectations, over 8,300 being registered on Monday, and on Friday the registration had risen to 10,600, nearly three times the registration of some recent years. But of more importance than the mere numerical magnitude of the convention was the uniform excellence of the addresses and discussions of the program, and the zealous spirit which the bankers brought to the work of clearing away misunderstandings and misconceptions relating to the big business problems here at home, and those greater problems overseas which as long as they remain unsolved, directly as well as indirectly affect our own prosperity. The discussions of the myriad domestic problems, as well as the foreign affairs, were open and frank.

Internationalism was a dominant note of the conference and was voiced at the first of the gatherings —the Clearing House—by President McAdams, when he said, "America cannot live by herself. The time has passed when we can sit by the side of the road and watch the rest of the world go by and not care what happens."

Convention Proceedings

The November issue of the Journal of the American Bankers Association will be an unusually large number devoted to the proceedings of the main convention and the various divisions and sections thereof. It will be placed in the mails on the usual mailing date, the tenth of the month, and containing as it will a report of the best banking thought of the year, on every activity of banking, it should be an unusually interesting number both for those who attended the convention and those who were unable to be present.

If extra copies are desired they should be ordered by November 1.

Notwithstanding the endless attractions of the city, and in addition the many attractions offered under the head of entertainment, not the least of which was the choice of fifty golf courses in New York and New Jersey, the attendance at the meetings and conferences was good. The great crowd had more in mind than a holiday in the metropolis—the main thought was the opportunity for business counsel which the week offered. It was in every sense a convention of business opportunity to which the average banker came to assist in shaping the direction of business through uncharted courses.

Though the delegates began to arrive Saturday and on Sunday and Monday came in an unprecedented rush, the scope and detail of the plan for registration and for taking care of them was such that the capacity of the machinery of the con-

vention organization was sufficient to meet the demands made upon it.

The mail of the delegates was suggestive of the size and importance of the crowd. The special convention postoffice on the ballroom floor of the Commodore handled day by day more "general delivery" mail, it was claimed, than the general postoffice of this city.

Literally the bankers came in ship-load and train-load, and found a convention that was satisfactory in every sense—satisfactory in the hospitable entertainment of the guests; satisfactory, too, in that which is the essential object of every such conference, counsels which advanced banking thought and will aid in the clarification of business problems.

The delegates and their guests were made to feel that coming to New York was not coming to a strange place, for as Seward Prosser, president of the Bankers Trust Company, expressed it in the salutatory of the convention book, "most of us who live here come from your own home towns." New Yorkers had a genuine pleasure in entertaining friends from their own home towns and in sitting down with them for the solution of common problems of business and banking.

The registration included bankers not only from every state and every city in the country, but from practically every small town in the country, and a number of financiers from overseas.

Texans came by ship. From Dallas and from Houston delegates traveled to New Orleans in special cars and from there sailed on the *Atenus,* by way of the Bahamas and Havana. Three days were spent in the latter city. From San Francisco, Los Angeles and other parts of California came a delegation of unusual size. The delegates from Oklahoma and Arkansas stopped in St. Louis and were entertained by a committee of local bankers, of which John G. Lonsdale, president of the National Bank of Commerce, was chairman. Then the guests came to New York by way of Niagara Falls.

The Wisconsin party, headed by John H. Puelicher, left Milwaukee in special cars and at Chicago joined the Oklahoma bankers and were for a day the guests of the Buffalo bankers. Michigan, Indiana, Nebraska, Iowa and the city of Toledo delegates came in special cars.

Unusual plans were made to the end that the visitors might feel the

hospitable touch of their hosts as soon as they arrived in New York. At the opening of the convention, Guy Emerson, the convention manager, had a functioning staff of nearly a thousand men and women.

To begin with, men were stationed at the railway and steamship terminals to help delegates on arrival. When the delegates reached their hotels they were met by representatives of the hospitality service, who obtained information on name, title, bank, city, state and members of party. This information was at once telephoned back to the hospitality headquarters, which were established in the rooms of the New York Chapter of the American Institute of Banking, where it was taken by typists. They made four copies of these names. One went to a representative of the committee, several hundred of whom had been organized for telephone service. This representative at once called up the delegate, personally welcomed him to New York and gave him such preliminary information as would add to his comfort and convenience. This was usually accomplished within fifteen minutes of the arrival of the delegate. It required 400 men to extend such a welcome to 11,600 delegates scattered in more than 100 hotels.

If the delegate found his room unsatisfactory and so reported it to the representative of the Committee of One Hundred who had welcomed him to the city, the machinery was set in motion to get whatever changes made that were humanly possible to satisfy the delegate. This required twenty-five men at the hotel headquarters.

Headquarters

At the Hotel Commodore, the headquarters hotel, the delegate found several hundred young men and women in charge of registration, the exhibits, information, etc. As the week progressed he found that men had been drafted from the banks to serve as ushers at the general sessions, as attendants at the smoker, on board the boats on the trip to West Point and at all sessions and functions.

The convention published a daily paper, which was printed every night and which the delegates found at their door every morning.

Each night during the convention there were printed the names of the delegates who registered up to six o'clock of that day. These names were printed alphabetically by names, alphabetically by states and alphabetically by hotel, and required sixteen pages, half the size of an ordinary newspaper. Each morning there was a recapitulation of names. These lists were distributed to the delegates each morning.

JOHN H. PUELICHER

President of the Marshall & Ilsley Bank of Milwaukee, Elected to the Presidency of the American Bankers Association

The personnel in the information booths had to be supplied with loose-leaf books containing complete information about the convention, such as the names of the New York banks which are members of the American Bankers Association, their addresses, telephone numbers, names of president and chairmen, etc.; complete entertainment and business program, also shopping service. This book contained seventy-five sheets of mimeographed copy.

When a city assumes the responsibility to entertain a convention of the American Bankers Association it assumes a big job. But it is a job that New York is wonderfully well equipped to handle if the limitless facilities of the city are organized by those who understand them. There is no city in the world today where better service can be had. To arrange for the comfort of over 11,000 guests away from their homes in a way to give a true impression of the sincere hospitality felt by New Yorkers for their friends from out of town, is a major operation. Our city is busy. The pressure of all the various business units that go to make up the life of a great metropolitan center is always heavy.

The Spirit of the Convention

The spirit of the convention is splendidly exemplified through a brief address, delivered by John H. Puelicher, the incoming president, at a luncheon of the Committee of One Hundred to the Executive Council of the Association at the Waldorf Astoria, Tuesday, October 3, when speaking on "The Leadership of Successful Men." Mr. Puelicher said:

"It is fitting that the convention of the American Bankers Association should this year be held in New York. Here beats the very heart of our financial and economic life. Here we bring into our councils the financial leadership of our land.

"The chaos in Europe is political. It has grown out of racial hatreds and economic differences. We have racial groups in America. We have economic differences in America. Will these, too, become political?

"We accept the blessings and privileges of our government. Do we defend its principles and institutions? Do we inculcate American ideals, American concepts in the hearts of our people? Are we jealous guardians of an American citizenship? Are we creating and fostering a national zeal for service in the cause of country, developing American leadership — American statesmanship, that bears in its heart the dream of the fathers for this land? Or, is our business dearer to us than is our state?

Secretary Mellon

Please extend my greetings to the members of the American Bankers Association in convention in New York and express to them my appreciation of the way in which they have worked together to bring the country through this difficult period of post-war readjustment.

It has been the fixed policy of this government since the war not only to balance its budget at the end of each fiscal year, but to provide for the gradual liquidation and funding of the war debt. In order to avoid spectacular refunding operations, disturbing to the country, the Treasury has offered, at convenient intervals during the last eighteen months, short-term notes which were used to retire Victory notes and other early-maturing obligations.

The response which these offerings have met on the part of banks and the investing public has been reassuring both as regards the Treasury's plans for refunding of the early-maturing debt and also as regards the soundness of financial conditions in the country at large. It leads me to believe that a foundation has been laid for an early and healthful revival of business along normal lines.

A. W. MELLON,
Secretary of the Treasury.

"In material achievement the American is a leader. To him much has been given. From him much should be expected. As have been his gains so should be his gifts. Civic listlessness and indifference bring ruin.

"No nation continues great that reverences only the material. We must interweave with the material the intellectual and the spiritual, for on this triad rests governmental stability. Has not the time come when the thought, the courage, the talents which create business leadership must be given to the creation of civic leadership?

"History records no instance of masses leading themselves. Leaders always have arisen. Leaders will arise in America—good or bad—as we choose. We look aghast at what we regard the misleading of many of our people. Yet in our sense of security we raise no dissenting voice.

"The zeal which has made the American great in business must make him great in statesmanship. As he has devoted himself to his business so must he devote himself to his state. He must lead the many in love of work, in respect for work, to success through work. He must lead or be led. There are many leaders of failure and discontent. Discontent leads to destruction.

"But who would dare by failure in his duties of citizenship to participate in the destruction of glorious America?"

Opening Session

The great convention hall of the Commodore Hotel was filled when the first session of the main convention was called to order Tuesday morning by President McAdams. This session bristling with interest was indicative of the convention as a whole, for every meeting had an unprecedented attendance.

In the first of the principal addresses on the program of the main convention, "The American Banker's Responsibility Today," Thomas W. Lamont, of J. P. Morgan & Company, presented an international banker's point of view with regard to the duty of the United States and the world problem. In conclusion he said:

Thomas W. Lamont

"Finally, do not forget that as the nations of Europe face great dangers America, too, is facing a crisis, though of a different order. We have gained great power. With the power goes weighty responsibility. Have we discharged it? For the period of the World War my answer is yes, a thousandfold yes. For the period since the armistice can anyone of us search his heart and answer yes? We have, it is true, offered criticism to the nations of Europe. We have shouted advice across to them. But we have been timid and fearful of petty en-

tanglements. Now we have, it would seem, come to the parting of the ways. Shall we meet the responsibility that has come with our power or shall we fail? Shall you and I give our mind, our understanding and our sympathy to these problems or shall we stand aside and add to our national stock of gold? Shall we urge upon our national government active cooperation in the counsels of the Mother Country and of the Old World? Or shall we keep silent?

Shall Much Be Required

"Nineteen hundred years ago it was that St. Paul said: 'For unto whomsoever much is given, of him shall much be required.' And a little before there was One who said: 'With what measure ye mete, it shall be measured to you again.' What shall we measure for ourselves? Shall it not once more be the courage that is America's tradition? Shall it not be the generosity as well as the justice that, among all the nations of the earth, will in truth and name make America First?"

Ambassador Herrick

Ambassador Myron T. Herrick, on his way back to his diplomatic post in Paris, was called before the convention and spoke briefly but earnestly, expressing his faith that in the present crisis, as in all past crises, the American bankers would come to the aid of the world. Mr. Herrick is a former president of the American Bankers Association and was warmly greeted by his old associates.

Dr. George E. Vincent

An address of intense interest and of broad application was that by Dr. George E. Vincent, director of the Rockefeller Foundation. He created a ripple of humor when he directed attention to the fact that while others have deliberated over great problems overseas, health authorities have, through the League of Nations, been steadily working to prevent the spread of disease to western Europe from the east, and to safeguard civilization from epidemics likely to follow in the wake of the great war. Dr. Vincent drove home in a most emphatic manner the fact that the public health of each and every community had a direct relation to the business and prosperity of every community and he suggested that the conservation of public health in a practical manner would on the part of the banker be both a civic duty and a matter of good business.

Convention of High Points

In a convention of such uniform excellence and containing in every moment and in every session so much of broad public interest, it would manifestly be impossible to touch upon high points. This was a convention in which all points were high.

The reports from the various Sections and Divisions revealed a uniform growth and progress and a vigorous prosecution of plans for the betterment of these various departments. The illustrated talk, "Industrial and Trade Conditions," by Fred I. Kent, was one of the outstanding contributions of the day.

President Harding's Letter

President Harding had considered attending this convention of the Association. Unable to do so, he sent the following letter to President McAdams, which the latter read at Tuesday morning's session:

"My Dear Mr. McAdams:

"Public duties and personal cares seem to have combined to render impossible, once more, my acceptance of the invitation to the annual gathering of the American Bankers Association. My regrets are the more poignant, because I hoped to be able to say some few things to your members on this occasion.

"I have so many times expressed my admiration and appreciation of the part which the banking interests played during and following the war that I do not need to remind you of my sentiments in that regard. Rather, I wish to appeal to your great organization in behalf of my conviction that another, a more inclusive, and perhaps a more difficult opportunity of service is today presented to you.

Extend Cooperation

"To the patriotism, steadfastness and right thinking of its financial leaders, the country has owed very much in connection with financing the war, and later in restoring stability, confidence and security throughout our economic structure. The banking community has always cooperated splendidly in dealing with these problems. But today our country, the world, all human kind, are demanding that this cooperation be extended to wider realms; to those social, moral, ethical problems which are crying for understanding attention. They cannot be denied; they grow increasingly insistent. They call for an application of the same spirit of wise and willing cooperation, which is the very basis of the bank.

"I have often thought of the bank as first among modern institutions of social unification. On the basis of a complete confidence in its integrity and aims, it aggregates together in vast, available masses, the scattered bits of credit and resources which otherwise would be unavailable for great undertakings, and makes possible the huge producing organizations which characterize the modern industrial community. We have come to times which require a like aggregation of the social sense, the ethical ideals, the moral inspirations and the best intelligence, in order to promote the true welfare of men individually and in communities.

Invites Assistance

This I have come to regard as the most pressing requirement of our day; and to its accomplishment I invite the assistance of you men who have been foremost among social cooperators. The world is not given to rewarding those who serve it, with opportunities for ease and pleasure. Instead, on those who have been tested and found useful it is wont to place yet greater burdens. To full share in these obligations I am now urgently inviting you. By experience, knowledge and aims, you bankers are peculiarly equipped to render largest service in this wider sphere. It has long been my observation that the leadership of the banking forces in the local community is ever effective and devoted to community welfare; and the same helpful relationship must be maintained throughout the nation, and in the nation's outside relations.

Sane Expenditures

Therefore in recommitting our people to sane expenditures, to ways of economy and thrift, to the con-

sideration of municipal and national problems in that conscience which builds the temple of confidence, the banking forces must lead, and we must have the widest commitment to the prudence, the deliberate understanding and the preference for useful service, which make for the security of our people as a whole.

"The banker in extending credits looks not alone to the schedule of his customer's tangible assets. He gives thought also to moral considerations, to those elements of character which constitute the most commanding of all securities. So he is concerned to help develop these qualities throughout his constituency. Every good citizen aspires to the same end, and therefore it is permissible to impose a special obligation on the bankers, organized and trained as they are in such affairs, to take a very special part in this work.

Help to Guide

"There is everywhere a disposition to scrutinize, to question, to examine minutely into social and economic institutions; to interrogate methods of human integration and procedure which have been so long accepted as to have seemed axiomatic. We shall gain nothing by charging that this spirit proceeds from malevolence and testifies a disordered state of mind. We ought to recognize that it largely represents sincere wish to improve conditions. History teaches that blind effort to obstruct such movements has often produced momentary disaster, but never prevented ultimate advance. The world is too old, and ought to be too wise, to resort to such tactics now. Rather, its best intelligence should be given to open-minded cooperation in every earnest project of inquiry and analysis which looks to the general betterment. Thus will its most capable leaders help guide society away from pitfalls and dangers, while keeping it moving on the upward path. I count the men of your profession as among such leaders; and I know that whoever can effectively impress you with the full importance of the duty I am suggesting will find satisfaction in the prompt and eager response which will come to him."

Most sincerely yours,

WARREN G. HARDING.

Sir Reginald McKenna

The convention listened with profound interest to the presentation of "Reparations and International Debts" subject as presented by the Rt. Hon. Reginald McKenna, chairman of the London Joint City & Midland Bank, Ltd., of London. Few men are able to look upon his great subject from the same eminence as does Sir Reginald McKenna, and the audience of American bankers listened in admiration to the temperate, impassionate manner in which he discussed the plight of England's old enemy and its means of paying.

Branch Banking

A point of great interest in the convention was the debate on the question, "Shall national banks be prevented from establishing branches in their home cities where this privilege is exercised by state banks?"

The discussion was opened by Andrew J. Frame, chairman of the Board of the Waukesha National Bank of Waukesha, Wis., who spoke against permitting branches, and by Waldo Newcomer, president of the National Exchange Bank of Baltimore, Md., who spoke in favor of branches. They were followed by a number of five-minute speakers on each side, and at the conclusion of the debate the following resolution was adopted:

"Resolved, By the American Bankers Association, that we view with alarm the establishment of branch-banking in the United States and the attempt to permit and legalize branch-banking; that we hereby express our disapproval of and opposition to branch-banking in any form by state or national banks in our nation.

"Resolved, That we regard branch-banking, or the establishment of additional offices by banks, as detrimental to the best interests of the people of the United States. Branch-banking is contrary to public policy, violates the basic principles of our government, and concentrates the credits of the nation and the power of money in the hands of a few.

Governor Allen

Governor Henry J. Allen of Kansas both entertained and instructed the convention in his address, discussing the industrial affairs of his state and the industrial court established to mimimize labor troubles and promote justice.

In referring to the Federal Reserve System, he said, "I am glad to stand as a citizen of the Middle West to pay tribute to the enduring thing we have builded in this great country, through the establishment of this system." Sir Frederick Williams Taylor of the Canadian Bankers Association spoke in defense of the branch bank system of Canada.

Divisions and Sections

In the meetings of the Divisions and Sections contributions to the success of the convention were made by such men as John McHugh, president of the Mechanics and Metals National Bank of New York; L. F. Loree, president Delaware & Hudson Co.; Eugene Meyer, Jr., of the War Finance Corporation; Marshall Cousins, Commissioner of Banking of Wisconsin; President Nicholas Murray Butler of Columbia University; James S. Alexander, president National Bank of Commerce of New York; Frank A. Munsey of New York, and Alvin W. Krech, president of the Equitable Trust Co. of New York, reports of whose addresses will be printed in the November JOURNAL.

Wm. E. Knox, Vice-President

The following officers were elected for the ensuing year at Wednesday's session: President, John H. Puelicher, president Marshall & Ilsley Bank, Milwaukee, Wis.; First Vice-President, Walter W. Head, president Omaha National Bank, Omaha, Neb.; Second Vice-President, William E. Knox, president Bowery Savings Bank, New York City.

The Day at West Point

The great river steamer, the *Washington Irving,* was wholly inadequate to convey all those who signified their intention of making the trip to West Point. An additional steamer, the *Sandy Hook,* was engaged, and besides that, provision was made for two special trains.

Keep the Credit for a Crisis

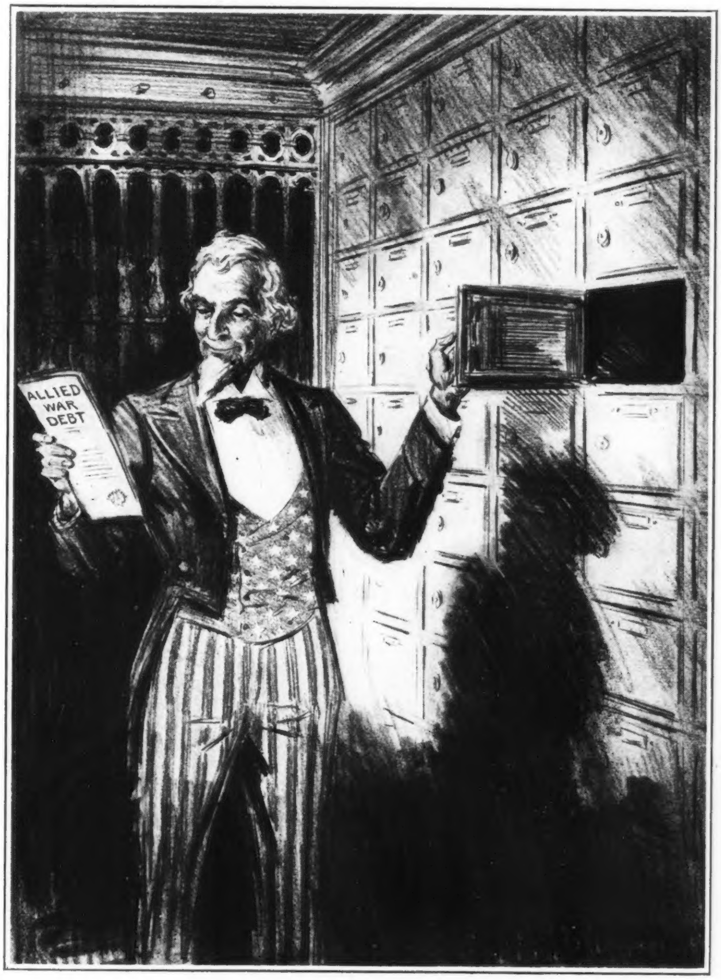
By GEO. L. BROWNING
President Liberty National Bank, Oklahoma City

If Famine or War Should Come, the Allied Debt Would Give Us a Needed National Reserve Purchasing Power—Credit the Only Medium Through Which an Adequate Purchasing Power May Be Created

IT is universally recognized that banks must maintain large reserves; that mercantile houses and manufacturing concerns must create reserves; that all sound business enterprises must accumulate reserves with which to enable them successfully to meet great emergencies and crises which arise from time to time in the course of human events. Our nation is now prosperous. The United States apparently is independent and at present can exist without outside aid, but the uncertainties of the future make it impossible to determine how soon our country may enter into a period of great famine or a period of war when our own resources would be insufficient to meet our needs. A national reserve purchasing power is necessary to guarantee the permanency of our government and the prosperity of our country.

The number of ways in which a large reserve purchasing power may be created is limited. It cannot be done through the accumulation of money or gold. Already we have accumulated almost 50 per cent. of the world's monetary gold supply—entirely too much of the world's gold for the good of America and those nations whose interchange of commodities we seek. Though we should retain all our present gold stock and gain additional amounts, even then this gold reserve for purchasing purposes would not last long in time of stress like that experienced by Europe during the war. In other words, the accumulation of gold gives us a very inadequate reserve purchasing power when the day of gloom and need comes. Goods and merchandise can be accumulated and a small amount held in reserve, but such commodities being perishable, a reserve purchasing power of this nature would be impracticable and at most would suffice for only a few months. Should we face a serious famine or war it is probable we would require all our own products and have little to exchange for foreign supplies. Since there are but three recognized international media of exchange, gold, goods and credits, it leaves credits the only medium through which an adequate reserve purchasing power may be created.

The recent war was fought and won through the use of credit. Had the United States and other countries been unwilling to extend credit to the Allies they would not have had the purchasing power to procure the essentials for carrying on the war with the Central Powers. If ever the United States

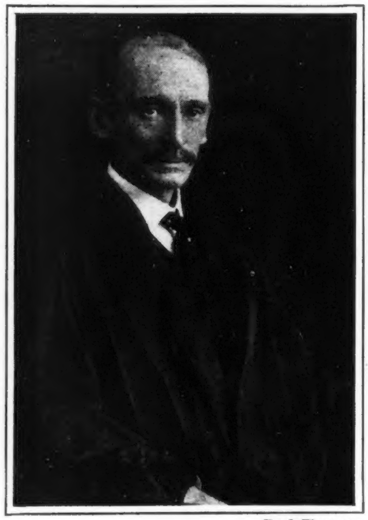


"I'll Put It Away for a Rainy Day"

faces such a problem as confronted Europe, we, financially, shall be at the mercy of others unless we are in position to command foreign credit. If we were engaged in warfare, it is possible that neutral countries would finance our operations through customary credit channels, but, on the other hand, they might not be so inclined. If we cancel the Allied war debt we shall lose a reserve purchasing power which might result in defeat rather than victory in an emergency such as Europe passed through and such as we may face in the near or distant future.

To attempt to collect the European debt at this time or any time soon would bring disaster, any serious student of economics will agree. We should not attempt to collect any of the principal now but should convert the entire indebtedness into long time bonds at a minimum rate of interest, these bonds to be held in Uncle Sam's treasury until national events demand use be made of them. (If plans could be found whereby the government bonds could be converted into industrial bonds of issuing nations, the conversion would be desirable.) It is contended that cancellation is necessary for the financial restoration of Europe. This, we believe, is a mistaken view. The conversion of this indebtedness into long time bonds places no immediate burden on the countries issuing the bonds other than the payment of interest, which admittedly should be at a very low rate. No doubt a substantial portion of this interest would be returned to the interest paying nations in payment for entertainment and education furnished Americans visiting their countries. Our people need to be broadened and to understand the interdependence of nations, and certainly the expenditures for travel in our debtor countries should result in national good.

The European peoples owing us approximately eleven billion dollars have not had their productive power destroyed, and in case we enter a crisis similar to theirs, they will have the opportunity to repay us in high priced goods, just such as we furnished them. Just as England dumped back into our markets three or four billion dollars of English owned American securities, we could return to our debtors the securities owned by us, using the proceeds to obtain those things necessary to aid us in war, famine or other national emergency, whatever it might be. Of course, we would hope never to be obliged so to make use of these bonds but who is wise enough to predict just what the next fifty or one hundred years may bring forth?



Paul Thompson

JUSTICE WILLIAM R. DAY

Member of the United States Supreme Court, Designed as Umpire of Mixed Claims Commission Between United States and Germany

The Credit Reserve

"Though we should retain all our present gold stock and gain additional amounts, even then this gold reserve for purchasing purposes would not last long in time of stress like that experienced by Europe during the war. In other words, the accumulation of gold gives us a very inadequate reserve purchasing power when the day of gloom and need comes. Goods and merchandise can be accumulated and a small amount held in reserve but such commodities being perishable, a reserve purchasing power of this nature would be impracticable and at most would suffice for only a few months. Should we face a serious famine or war, it is probable we would require all our own products and have little to exchange for foreign supplies. Since there are but three recognized international media of exchange, gold, goods and credits, it leaves credits the only medium through which an adequate reserve purchasing power may be created."

Not only should the reserve of eleven billion dollars derived from the Allied debt be retained, but in addition it would be well to increase the reserve to an amount equal to twenty or twenty-five billion dollars. This can be done by our citizens going to South America, Mexico, China, Russia and other nations, when conditions permit, with their investments, developing those countries industrially and commercially. An expansion of this kind would be of material advantage to America as fundamentally the investments are not of gold and money but are investments of commodities produced through increased activity of physical and mental energy of our citizenship. The greater the exercise of physical and mental energy, the greater will be the happiness of our people. If within the next fifteen or twenty-five years we can build up a diversity of foreign investments scattered throughout the entire world, amounting to twenty or twenty-five billion dollars, our country will find itself in the strongest position ever occupied by any nation, with a reserve purchasing power never before equaled in history.

The cancellation of the Allied debt to the United States might make our position as a nation less secure. The expansion of our foreign trade through the extension of credits to countries other than Europe is necessary if our nation is to prosper and our world-wide influence and power are to continue.

Trade of the United States with Turkey and the Turkish people amounts to over 100 million dollars a year.

Effective at the close of business September 16, the name of Los Angeles Trust & Savings Bank was changed to the Pacific Southwest Trust & Savings Bank in order to provide a title more descriptive of the institution, following the merger on July 1 of twenty banks in twenty-four cities in that portion of the Pacific-Southwest located in California, with the Los Angeles Trust & Savings Bank.

New Features of a Great Bank Building

Vaults of Federal Reserve Bank of New York Are Below Tidewater, and Are of a Nature to Withstand Any Known Method of Attack. Strongest and Cheapest of Its Type. Doors Are Huge Cylinders on Vertical Axes. Give Greater Protection Than Old Style

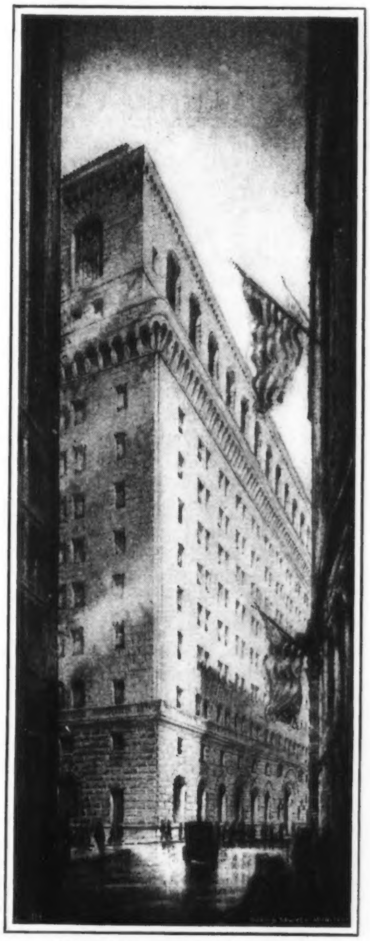
THE building now in course of construction for the Federal Reserve Bank of New York in the center of the financial district of lower Manhattan embodies many unusual architectural features which, while giving to it the impression of massiveness and the dignity necessary for bank structure, have permitted the use of a very simple design, a type of construction ordinarily seen in loft or office buildings. The result has been the erection of one of the largest banking structures in the world much along the lines of a modern commercial building, thus making it a valuable asset to the Federal Reserve Bank.

The fact that the building is large, occupying almost a full city block, made unnecessary any attempt at ornamental work which might detract from the impression of dignity and power which the solid mass, fifteen stories high, will give. The architecture of mediaeval Florence was the direct inspiration for the character of the building. The heavy stonework at the base of the building lends to it a fortress-like appearance, which, in a sense, is what a bank should exemplify.

In selecting the stonework for the exterior of this structure the architects discovered in the quarries large quantities of stone for which there was no market because the stones were not of a solid color, but bore streaks of blue, buff and grey. Not only could this stone be purchased cheaply, but it was exactly what was needed. The large expanse of wall was devoid of ornament and the combination of colors in the stonework gives it a variety which has unexpected value.

In the erection of the stonework a scheme was devised by which large stones of the darker hues were used in the lower portions of the walls while towards the top of the building smaller and lighter colored stonework is to be placed. The effect of this coloring will be to increase the impression of strength and security given by the type of the design itself.

Within the walls the building will compare rather more closely with a modern office building than with the ordinary bank building, with the exception, of course, of the vaults. The heaviest part of the operations of a Federal Reserve Bank centers in departments where a large number of clerks handle an enormous volume of routine work, such as counting bonds and money, sorting and listing notes, bills, currency and checks. Such departments have but little intercourse with the general public and do not require elaborate quarters, but they should have plenty of light and adequate working spaces. For this reason there is an almost entire lack of ornamental treatment in the working spaces, and floor plans have been made flexible to permit of future changes or expansion.



Federal Reserve Bank of New York

To facilitate the movement of this large body of clerks in and out of the building and to avoid contact between employees and the public, there will be employees' entrances on the opposite side of the building from the entrance for the public. Also the elevators will be so arranged as to make it possible to set apart certain groups for the exclusive use of employees during the periods in the morning, at noon and in the evening, when the demand for elevator service is heaviest.

In the Federal Reserve Bank, as in every other bank, the vaults will be of especial interest. In planning the new home of the New York bank it was realized that the vaults must of necessity be of exceptional strength and size. The bank now sometimes holds as much as five billion dollars in cash and securities. So inadequate are its present vaults that this vast amount is now stored in eleven separate vaults in four different buildings. The new vaults must not only be large enough to store all this with ample room for expansion, but there must be working spaces within these vaults. To adequately house the Custody Department and the cash and securities it was necessary to plan for vaults in the new structure which will occupy three levels, with doors on each level reached by special corridors connected with automatic security elevators.

The entire vault will be below tidewater level, an additional factor of safety, because of the sur-

rounding water beyond the solid reinforced concrete walls. The type of construction adopted for the walls of the vaults is the result of a series of tests of different types of vault construction conducted by the Federal Reserve Board in 1920 and 1921. At these tests every kind of modern vault construction was subjected to the action of such powerful agents of destruction as TNT, dynamite, oxyacetylene torches, and jackhammer or pneumatic drills. The Federal Reserve banks were enabled, as a result of these tests, to add greatly to the strength of their vaults and at the same time to reduce their costs. It is believed that the vault of the Federal Reserve Bank of New York will be not only by far the strongest, but also the cheapest for its size ever built. The area of each vault level is approximately 60 feet by 125 feet.

The vault doors are of a revolving type instead of swinging on hinges. Each door is a massive steel cylinder, 9 feet in diameter, spinning on a vertical axis inside of a steel frame which, in turn, is securely embedded in a 10-foot reinforced concrete wall. A passageway, 4 feet wide, is cut entirely through the cylinder, and when the door is closed the passageway runs lengthwise with the wall. The operating mechanism of the doors has become simplified; a lowering platform is not required, and there will be no bulky mass swinging out into the passageway adjacent to the opening, as is the case with a hinged door. In view of the necessity for carrying on a considerable amount of business inside of the vault walls, a very complete ventilating system has been designed for exhausting the foul air and to supply fresh air to all three vaults.

The Federal Reserve Bank of New York will really have a twenty-story building, though only fifteen floors rise above the street level. Such extensive excavation was necessary for the foundation work, and particularly for the vaults, that it was found to be an economy to complete the excavation of the entire space within its walls and to utilize this space for five basements. In this way space has been secured at a minimum cost which can be used for storage, for the heating and power plants, and for general utility purposes.

The Bonus Veto

IT is to be expected that men big enough and patriotic enough to have seen the situation so clearly that they gladly went to war, knowing full well its possibilities, are still, as a body, men too big to want to have anything done in their name that might actually destroy the country's prosperity. It is unlikely that the average man who had elected to lay down his life if need be is going to find it very difficult to give up the hope of a mere bonus as long as the granting of that bonus would be an undermining of the country he loves. If it were possible to conceive that President Harding was moved by political consideration in dealing with the bonus bill it would also be possible to believe that he would see that it would be poor political strategy, as well as poor economics and poor patriotism, to sanction a distribution of billions, which are not in hand and for the provision of which Congress shrank and evaded. The reaction of public opinion following the publication of the veto demonstrates that courage in combatting political expediency or an excess of emotional gratitude is not wasted courage. Were it generally understood by all concerned that the bonus would in the long run not be a help, but would be a harm, the issue would have died long ago.

"It is sometimes thoughtlessly urged," wrote President Harding, "that it is a simple thing for the rich republic to add four billions to its indebtedness. This impression comes from the readiness of the public response to the government's appeal for funds amid the stress of war. It is to be remembered that in the war everybody was ready to give his all. Let us not recall the comparatively few exceptions. Citizens of every degree of competence loaned and sacrificed, precisely in the same spirit that our armed forces went out for service. The war spirit impelled. To a war necessity there was but one answer, but a peace bestowal on the ex-service men, as though the supreme offering could be paid for with cash, is a perversion of public funds, a reversal of the policy which exalted patriotic service in the past, and suggests that future defense is to be inspired by compensation rather than consciousness of duty to flag and country."

How grave a thing the granting of the bonus would be is guardedly stated in the last paragraph of the veto wherein President Harding declared:

"The simple truth is that this bill proposes a government obligation of more than four billions without a provision of funds for the extraordinary expenditure, which the executive branch of the government must finance in the face of difficult financial problems, and the complete defeat of our commitment to effect economies. I would rather appeal, therefore, to the candid reflection of Congress and the country, and to the ex-service men in particular, as to the course better suited to further the welfare of our country. These ex-soldiers who served so gallantly in war, and who are to be so conspicuous in the progress of the republic in the half century before us, must know that nations can only survive where taxation is restrained from the limits of oppression, where the public treasury is locked against class legislation, but ever open to public necessity and prepared to meet all essential obligations. Such a policy makes a better country for which to fight, or to have fought, and affords a surer abiding place in which to live and attain."

Is Deposit Guaranty a Settled Policy?

By C. M. HARGER

The Experience of Kansas. Has a Fund of $733,430 But Commissioner Does Not Know Whether or Not That Sum Will Be Exhausted by Payment of Coming Liabilities. Operation of Guaranty Laws in Other States. Probable Trend of Future Legislation

EIGHT states—Kansas, Oklahoma, Nebraska, Texas, North Dakota, South Dakota, Mississippi and Washington—have adopted statutes providing for guaranty of bank deposits. The systems vary in detail but all have been formulated under the same influence, that of the legislators to assure their constituents safety in protection of savings.

Under Unstable Conditions

Naturally, the idea had its inception as a working proposition in states where settlement was comparatively new and where banking operations were conducted under the unstable conditions that affect every community where development is in its formative stage. Kansas, for instance, had previous to 1909 many bank failures growing out of the depression of the nineties. Some of the banks had been managed by men unfamiliar with banking and the losses were heavy. The guaranty of deposits was long debated and finally provision for a guaranty fund optional with the state banks was adopted. Those joining should pay into the fund $500 for each $100,000 of average deposits, a minimum of $500, and one-twentieth of one per cent. annually on average deposits until the fund would reach "approximately $500.000" (increased in 1919 to $1,000,000) to be invested in sound securities.

In Effect 12 Years

The guaranty law has been in effect twelve years. The cash fund now amounts to $733,430.79. Of this $62,223.86 is interest received from investment of the fund by the state, 2 per cent. being thus credited, though the state receives 3½ per cent. on its surplus funds. The fund also has $1,143,292 in bonds on deposit with the state treasurer, provided as a reserve.

For several years after the adoption of the guaranty law Kansas had few bank failures. Those that occurred were the result of rascality and the losses were not serious. It seemed that the guaranty law had done wonders to insure safety for depositors and state bank deposits steadily increased. A provision of the law that guaranteed banks could not pay in excess of 3 per cent. on time certificates lessened the evil of promising high interest to obtain deposits, as happened in states where such limit was not made. This temptation was always present in the early days of the guaranty and was in a measure responsible for reckless management of banks which indulged in such tactics. While experience has shown evasion of the regulation the general effect has been salutary.

The Kansas law provides that when a bank becomes insolvent the bank commissioner shall take it over in toto, issuing to all depositors certificates of indebtedness for the total amount of the depositors' accounts, covering, of course, only guaranteed items. These certificates draw 6 per cent. and dividends as declared from the assets are credited to them. However, deposits on time certificates on which a stated rate of interest is allowed receive only that interest rate.

Defers Payments

The effect of the provision is to prolong the payments of depositors' certificates until the receivership is closed. Only then can the bank commissioner draw on the guaranty fund. Since the adoption of the law only one receivership, a failure in 1913, which cost the fund $28,701, has been closed. It expected that several others will be ended by January 1, 1923. Thus the fund is practically intact, though with large accumulated claims against it which must be met.

The figures of certificates outstanding are misleading. For instance, a bank with $100,000 deposits guaranteed fails; certificates are issued for the $100,000. The assets may pay off $75,000 of these—in some instances all depositors are paid—and only the balance will come from the guaranty fund.

Loss Unknown

Bank Commissioner Foster F. H. Foster says: "As I cannot determine with any degree of accuracy what amount can ultimately be realized from the failed banks, I cannot make even an approximate estimate of the ultimate loss to the guaranty fund, but no doubt it will be large and may exhaust the $733,430 cash on hand and may call for extra assessments."

The present problem is that of the deposits that legitimately come under the guaranty. In the case of recent large failures the courts have been appealed to to settle this. Bonuses, in one instance, were paid to secure deposits, the depositor be-

> **THE KANSAS LAW**
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lieving that in event of failure of the bank he would not lose. This evil and others should be regulated by the legislature and Bank Commissioner Foster will ask the coming legislature to rewrite the law to set forth definitely just what accounts are to be protected and under what conditions.

In Texas

Similar questions have arisen in Texas where the guaranty law has been in effect as long as in Kansas, since 1910. Commissioner Chapman gives a very good account of the operation of the law during the twelve years. He says:

"The total amount paid out to date during the operation of the fund is approximately $8,000,000, brought about principally through the failures of the last two years, we having nominal assets of $20,000,000, the liquidation of which will repay a large proportion of this amount. The assessment has never reached the maximum in any one year. Our fund only protects the non-interest bearing and unsecured deposits. We have, at this time, a permanent fund of $2,700,000 in cash and exchange. The maximum which we can accumulate is $5,000,000. The total amount of claims unpaid is very small. All non-interest bearing and unsecured depositors who have filed approved claims have been paid. The claims not protected will naturally be paid through dividends accruing in the course of liquidation. The number of failed banks since the guaranty fund has been in existence totals fifty-five. Some of these have been reorganized and rehabilitated, either through reopening or new charters. At this time we have 981 banks, of which 948 are guaranty fund banks, the others being guaranty bond banks. Every state bank must avail itself of either the guaranty fund or the guaranty bond system. The guaranty bond requires that a bond be placed to secure its depositors and has not proven popular throughout the state.

Waco Conference

"Our guaranty fund has successfully withstood the very trying times of the last few years, has never had its permanent fund impaired and is strongly intrenched in the minds of the depositing public in this state. At a recent conference of state bankers in Waco, at which over 600 representatives were present, the guaranty fund plan was endorsed unanimously."

Texas bankers also are asking that the legislature definitely specify if all deposits or only those unsecured shall be guaranteed and just what public moneys shall come under the protection.

North Dakota

North Dakota has had a somewhat trying experience. A recent statement says that 65 state banks, with aggregate deposits of over $10,000,000, have been closed out of a total of 666 banks. Nineteen of the institutions have been reopened, leaving 46 suspended, with approximately $8,000,000 of deposits, of which $4,000,000 was covered by the guaranty law. The guaranty fund itself amounted to $426,000, while the accruing interest on the $4,000,000 reaches $200,000 annually, making a serious problem for the solvent banks to face. There is discussion of a plan to issue state bonds and take up the indebtedness due guaranteed depositors of the failed banks, but this is doubtful of adoption. The bankers, however, insist that some way out will be found and the state's credit upheld. The depression of the past two years, together with political disquietude, have given the bankers a most serious trial and the guaranty system has been especially hard hit.

These examples are typical of the experience in other states, including Oklahoma, whose condition was graphically set forth in the JOURNAL recently. The same process of financial difficulty has covered the entire agricultural district—the district where guaranty of deposits has secured its foothold. Whether or not the guaranty membership is compulsory, the same general trend of events has followed. First was a gathering of a fund with few demands upon it; then a series of suspensions coming out of the deflation period when shrinking deposits added to inability to collect loans gave the bankers sleepless nights. That combination of circumstances is not yet ended, but the strain is less. Here and there are banks whose endeavor to collect agricultural loans will demand every possible resource to save them from suspension. However, the agricultural section is steadily, if slowly, beating back and we shall probably see much better conditions than during the two years just past.

Where Does It Start?

In view of the test that has come to it during the first decade of its trial where does the guaranty law stand? Is it to be a permanent policy of banking and cover eventually the entire country?

In the territory where it has been a part of the banking system two positive opinions exist. One, held by national bankers generally, and by some state bankers, especially in states where the burden has been so overwhelming, is that it has failed to prove itself. They allege that it has led to reckless banking, or at least to methods that involved unusual chances. It is not fair to state that all the failures, however, were due to intentional recklessness; the greater part were due to conditions the banker could not anticipate. He loaned on cattle at prices seemingly firm and saw the value of his security decrease 40 to 60 per cent.; he did not foresee the deflation in prices of agricultural products and the lessened income of the farmer. The national banks generally have larger resources in commercial paper and suffered less depreciation, being able also more easily to secure funds to meet the decrease in deposits.

The banker who is in straits may find in the popular confidence in the guaranty of deposits a method of extending his operations unwisely with a hope of retrieving his fortunes. If he is unscrupulous, it perhaps gives him added opportunity. While not encouraging reckless banking directly, it is claimed that it does open slightly the door for evasion of the strict tenets of financial integrity. The fact that the national banks have had less failures than state banks in commonwealths with the guaranty laws is given as an example of more rigid management without any favors. It does not appear in Kansas, where the test of the law has been most complete, that the guaranty law has worked any hardship on national banks in securing deposits. Both classes exist in every town of size side by side and both prosper.

Weaknesses Known

The experience of the decade has demonstrated weaknesses in the laws of states adopting the guaranty. It was originally an experiment and the statutes were formulated with little precedent. When the laws are rewritten they will doubtless make unsecured open deposits the chief object of the protection with somewhat modified regard for time deposits drawing interest and for such classes of deposits as are of a semi-trust fund nature. Efforts will be made to restrict the operation to such limits as will adequately protect the everyday depositor and encourage confidence in the banks. A North Dakota banker said, "It would take a braver man than I to advocate the enactment of a guaranty law at this time if we did not have it and with our present knowledge of its workings, yet I am not willing to say it could not be made effective."

The attitude of the public in states adopting the system is in favor of the guaranty law. The public would resent any attempt to repeal the statute and it might have an unfavorable effect on bank conditions were it done. The depositor has been educated to believe in the idea, without going into the philosophy of the principle on which it is based. The public looks at such matters directly and with little analysis. During the past two years banks have all through the agricultural sections pressed their borrowers in an effort to liquidate outstanding credits. The average customer believes that the bank is almost uniformly profitable, usually attributing failures to bad management or rascality. It takes a superficial view of banking principles and conditions and grasps only the obvious. Responding to this sentiment, legislators will be slow to retrace the steps taken toward compelling the banks to insure their depositors.

States that have seen banks involved heavily in guaranty fund losses will probably work out some method of squaring accounts with depositors, in whole or part. Those that have kept within reasonable limits, either through better planning or less serious financial depression, also will have learned helpful lessons. The guaranty of deposits seems likely to stay, though with modifications and limitations that will lessen the burden on solvent banks. The principle, however, despite disapproval from many sources, will probably remain in operation in states where it has once been adopted, because of a public sentiment which holds banks to be self-sufficient unto themselves. Probably states that have not already entered on the system will be slow to take it up, the example of those with serious conditions deterring present action. If, however, there can be evolved a method by which the public demand can be satisfied, with such strict inspection and such limitation of responsibility as will reduce losses to a minimum, it may be expected that we shall see further expansion.

Banks of Farm States

Unquestionably the banks of the farm states have seen in the past two years a crucial test of banking methods. The coming winter will see efforts to readjust the guaranty laws to more workable forms, possibly with some limitations of their operation, yet holding the favor of the public in the integrity of their deposit accounts. Toward that end bank commissioners and leaders in banking affairs are working, rather than toward repeal of the provisions now existing. The acceptance of the system by other states will doubtless wait for further experience under readjusted conditions. The states that have begun the task of establishing guaranty of deposits are likely to feel that it is their duty to bring the plan to a workable method if possible rather than abandon the effort. Whatever the objections—and they are many—the promise has gone forth and bankers feel that it should be redeemed if practicable. Having as it does advertising value and weakening the excuses for hoarding of currency, it is, hundreds of bankers feel, worth all it costs if it can be formulated on a sound, equable basis.

Referendum on Par Collection

The Chamber of Commerce of the United States has submitted to the 1,400 affiliated business organizations the question whether the collection of checks at par should be made a universal practice throughout the country. The referendum is based upon a report made to the National Chamber by a special committee, which made a study of this question. In the opinion of the committee, the practice of certain banks in making a charge usually one-eighth to one-tenth of 1 per cent., in remitting to their reserve bank in payment of checks drawn upon them by their depositors should be discontinued.

The committee found that not only the 9,726 member banks in the reserve system were remitting at par, but also 18,792 non-member banks, whereas the number of non-member banks not remitting at par was 1,932.

"If charges were actually made by all banks remitting to reserve banks," said the committee's statement, "their aggregate would be very large and a burden upon commerce; for the total items handled by reserve banks in 1920 reached **$157,000,000,000.** One-tenth of 1 per cent. would be $157,000,000 on this volume. If only the interest of the banks which now wish to make charges were considered it is obvious they would not profit through a system under which all banks made charges for remittance; for the cost of collecting checks deposited by their customers would then be as great as the amount they would receive from remitting against checks drawn by their customers.

"The committee is of the opinion that this problem should be solved from an economic standpoint as speedily as possible and has little fear that the laws passed by six states in an endeavor to support non-member banks in their charges for remittances will be pushed in legislatures of other states, or can have considerable effect. The questions at issue are national in character and if they cannot otherwise be solved they should be settled through national legislation."

Advertising at the Banker's Desk

By GUY EMERSON
Vice-President National Bank of Commerce in New York

Not the Banker's Job to Pass on Advertising Policies, But the Report He Has Been Unsympathetic with Advertising Is Untrue. The Commercial Banker As a Custodian of Funds, Repayable on Demand, Is Not Justified in Taking Long Chances

MUCH has been said, of late, and many printed pages have been consumed in asking and answering the question, "What does the banker think of advertising?" The following answer is suggested, because it appears that the position and viewpoint of the banker on this matter have never been analyzed with exactness.

Undoubtedly, as the importance of the great business of advertising becomes more accurately defined, bankers will understand it, in its broad outlines, as they are obliged by the nature of their work to understand the fundamentals of all vital branches of business. The magnitude of the business of advertising and the importance it plays in producing profits entitle it to serious consideration. But the banker's function in determining either the Whether or the How Much of a customer's advertising appropriation rarely is, and rarely will be, a dominating one. As will appear in what follows, it will be increasingly necessary for bankers to understand, in general terms, the size and importance of the advertising business. In many instances, too, bankers will need to know something of advertising in detail, as applies to the needs of specific lines of business. But the position taken in this article is that, broadly speaking, it is not, and never will be, the banker's job to pass upon the advertising policy of the companies to which his bank is lending money. If this is taken as a starting point, the importance of the banker's relationship to the business of advertising may be further developed without incurring the danger either of the over-emphasis or the under-emphasis which characterizes much of the current discussion of the question.

It may be admitted at once that few people know much about the business of advertising. We all read advertisements; but except for an occasional "want ad." or lost-and-found notice the actual creation of advertising copy or the thought of purchasing advertising space never enters our consciousness. There is a phrase current in the land, "it pays to advertise." This is about as deep as advertising philosophy goes with the average man or woman; and even this phrase is believed rather than applied by the conservative majority of our population. If a doctor advertises he loses caste. A lawyer or a minister cannot advertise except indirectly, through writing and speaking on matters of public concern. Only within comparatively recent times have the advertising appropriations of industrial enterprises become of large permanent business importance. Only more recently still has the banker considered advertising of value for his own banking institution.

> **The Custodian of Funds**
>
> **"It cannot be pointed out too often to business men, especially those unaccustomed to borrow money of banks, that the commercial banker is the custodian of funds repayable to depositors on demand; and that, in consequence, money loaned by banks to industry must be loaned on short term, on the security of paper covering self-liquidating transactions. The banker gets a small, fixed fee for his loan. He does not participate in the profits of the business in which the money is used. Therefore, he cannot afford to take a substantial risk of loss. He cannot say, 'This is a likely business—we will take a flier for a million.' He must say, 'Is this loan sure to be repaid?' The long chances in the world of business must be taken by private investors with their own funds."**

The basic reason for this is apparent. Advertising, like almost every business or profession, has had to win its standing slowly. Doctors and lawyers and bankers did not establish their standing in a day. It was a process of centuries. Advertising, in the early examples which have been preserved to us, was used to dispense unwholesome medicines or even more unwholesome securities. This condition has largely been remedied. Great progress toward the winning of public confidence has been made. By far the greater part of advertising in the larger city newspapers and in the better national magazines is honest and sound in its tendency, and most of it is effective. There are at present many important agencies, each of which plays a vital part in the creation and placing of advertising costing clients from a million to fifteen millions of dollars annually. While the total amount expended each year in the United States cannot be exactly ascertained, it is estimated by *Advertising and Selling,* a magazine devoted to the subject of advertising, that during the calendar year 1919 (which may be taken as fairly comparable as regards volume of advertising to 1921) $1,259,000,000 was spent in various kinds of advertising, including newspapers, direct-by-mail advertising, magazines, posters, street car cards, etc. Of this sum it is estimated that $855,000,000 was spent in newspapers and magazines.

Obviously the banker is concerned with any economic fact of this magnitude. Just how far is he concerned? To give an approximate answer to this question it is well to observe that advertising involves, for its full understanding, a more than ordinary perception of popular reactions—of the production

through the use of printed words of definitely intended results with widely different groups of people. A few bankers, through temperament or special opportunity for observation, will be interested in this phase of the business of companies which are their customers or of which they are directors. But to most bankers the advertising appropriation will be a matter of results measured in dollars and cents. And in general it may be said that this latter class of bankers will probably always be in the majority.

Job for Specialists

The banker undertakes to understand in a thorough way the general principles of a great variety of businesses; but he would need to be a superman indeed if he were to undertake to know as much of operating details, or of manufacturing methods, or of the public demand for thousands of articles and commodities, as the men who are running these businesses. Decisions as to the kind or volume of advertising required to market a given product must be based upon a most thorough understanding of the article which is being advertised, and a study of its relation, at all seasons and under all conditions, to that fickle entity known as the buying public. This is a job for specialists.

May Sound Warning

As to just how far beyond this point it is proper to expect the banker of the future to go, opinions will differ. The occasion may arise when a banker will advise his customer to increase his advertising appropriation. But in the very nature of the banker's relationship to his customer such an occasion will be rare. In the extreme case, where the advertiser is increasing or reducing his outlay radically, a banker may sound a warning and bring about a reconsideration. But in the common case, where the advertiser is making no sharp change one way or the other, the banker will hardly care to advise his customer whose business is on a sound and profitable basis as to the amount or the details of his copy or as to the publications in which he places it. There may have been cases where bankers called for a reduction of advertising outlay, or made casual comments adverse to advertising. But it should be stated that such cases are rare, for the simple reason that the banker usually regards matters connected with advertising as operation matters, to be left, as sales policies are left, to the company management. The report that bankers have, to any important extent, been hostile to or unsympathetic with advertising is a false alarm.

Now to refer to the exceptional case, where it does become the banker's duty or interest to investigate in detail a question of advertising, let us suppose that a largely increased appropriation is called for, or that a company is in financial difficulties, so that its affairs are under banking supervision. Under such circumstances with what attitude will the average banker be likely to approach the advertising problem?

Custodian of Funds

It cannot be pointed out too often to business men, especially those unaccustomed to borrow money of banks, that the commercial banker is the custodian of funds repayable to depositors on demand; and that, in consequence, money loaned by banks to industry must be loaned on short term, on the security of paper covering self-liquidating transactions. The banker gets a small, fixed fee for his loan. He does not participate in the profits of the business in which the money is used. Therefore, he cannot afford to take a substantial risk of loss. He cannot say, "This is a likely business—we will take a flier for a million." He must say, "Is this loan sure to be repaid?" The long chances in the world of business must be taken by private investors with their own funds. If the banker is not almost always right he will not be a successful banker, for the loss of the principal of a few loans will more than wipe out the small interest return earned on the loans which are repaid. This is a detail of the banking business which advertising men should understand thoroughly because it gives the key to an attitude which is the rule with lending officers of banks. This attitude can hardly be called either unduly conservative or in any way unsympathetic on the part of the banker. It simply evidences a high degree of care in ascertaining the facts and implications in each given case.

The conclusion from this is that when it does become necessary for the banker to pass upon an advertising appropriation his attitude will be that of the banker and not of the promoter. He must be convinced of the soundness of the unusual advertising appropriation just as he seeks to satisfy himself of the soundness of any other business outlay. If the company official who does consult his banker about an advertising appropriation cannot explain it clearly it will doubtless be cut down, or even cut out. This is as it should be. If it is right to spend money for advertising in a given case it should be possible not actually to prove that commensurate results will be obtained, but certainly to make a straightforward showing, based upon business experience in analogous cases. When this is done the banker will be found responsive.

Cuts are Watched

It is becoming more and more common for bankers to regard a radical cutting down of an advertising expenditure with close attention. The sharp reduction in the advertising of nationally distributed articles, the reputations of which were apparently so firmly established that nothing could affect them adversely, has been followed so regularly by a heavy falling off in sales that the need for caution in such cases is widely recognized. The banker is coming to realize that public interest is not necessarily a permanent possession.

If a further instance is needed of the progress of the banker's belief in advertising, it is to be found in the great volume of advertising placed by bankers purely for purposes of developing good will. Banks have been among the pioneers in this field.

It must be reasonably clear from what has been said that within definite limits growing out of the nature of his business the banker is interested in the sound progress of advertising. Very naturally, however, the question as to the banker's attitude toward advertising brings up the more fundamental question which perhaps most people have in mind when that question is asked, namely,

how does the business community as a whole regard advertising? In this connection it may be permitted an observer and admirer of advertising to offer one or two suggestions. First as to quality. The best service the agencies can render to their clients and to their own business today is to perfect the quality of their service. If the quality of the advertising placed is high in permanent results, direct and indirect, returned to the advertiser for each dollar spent, then the volume will almost take care of itself.

Many company executives are so insecure in their conviction as to the soundness of the advertising policy they have adopted that they are influenced to change it by casual outside criticism, while they would be wholly unmoved by similar casual criticism of any other phase of their business policy. It is the duty of their advertising adviser to give them the necessary confidence in their own advertising policy, and in the copy they are using to make such a policy effective. Perhaps too much mystery has been made of the subject. The chief obstacles which exist to a fuller cooperation between advertisers and their advertising experts do not lie in the failure of the advertiser to understand highly technical advertising lore. He should not be expected to understand the technical details. The trouble lies largely in the failure of the advertising counsellor to get into the minds of the executives, who must give final decision, the elementary laws upon which an advertising plan is based, and the business application of those laws to the particular advertising campaign which is up for decision.

The forward-looking banker will be glad to see the advertising specialist take his proper place in the world of sounder business which we hope will replace the more slashing and wasteful periods of the past. But the banker's attitude, while important, will not be the controlling influence in advertising progress. The predominant relationship will always be that of the advertising man to the business executive. And, more fundamental still, the business of advertising will not progress or decline because business men or bankers, or any other group, prefer to smile or frown upon it. Its prosperity or the reverse will depend, first, upon the basic profit-producing importance of advertising as determined by the inexorable operation of economic laws; and second, upon the downright human ability and integrity with which advertising men build upon the basic opportunity which is presented to them.

New Lectures on Banking

THE Committee on Public Education, of which John H. Puelicher is chairman, has prepared a new series of talks on banking and elementary economics to be delivered by bankers to pupils in the higher grades of the grammar school, in the high school and in the colleges and universities.

"The talks have been so designed, each lecture being presented by an outline," says Mr. Puelicher's announcement, "that the speaker may use liberally from his experience in fitting the talk to the group which he may be addressing. Many requests for speakers have come from Parents' Associations, Teachers' Institutes, Farmers' Institutes, Chambers of Commerce, Boards of Trade, Men's and Women's Clubs, Rotary, Lions, and Civitas Clubs, and so forth. The banker should regard it a duty to the welfare of his country to respond to such invitations with an address which will make better understood the important sphere of his activity.

"In many states, the Secretaries of the State Bankers Associations have organized Speakers' Bureaus, where are recorded the names of those bankers who have especially qualified on some particular phase of banking, and may be called upon to meet engagements upon convention programs, and the like. At the moment, a better public understanding of the need and possibilities of the Federal Reserve System is important. Bankers should take every opportunity to inform the public more thoroughly as to how much our commercial prosperity and progress is dependent on such a system.

"It is conceded that the banker has much to learn from the teacher in regard to the method of presentation, for which reason the closest cooperation between banker and teacher is urged. Outlines of all the lectures have been prepared for the use of the teacher. If they have not been furnished to the teachers before whose classes these talks are being given, they may be had by applying to the Secretary of the Committee on Public Education of the American Bankers Association, Five Nassau Street, New York City. It is respectfully suggested that the banker familiarize himself with the talk to be delivered, so that he may give it extemporaneously and use local business activities as illustrations."

Surveys being made in the Great Slave Lake region of Canada resulted in the discovery of a hitherto uncharted island in the land, forty miles long and from ten to twenty miles wide. There are hundreds of other islands of lesser extent in this lake which is larger than either Lake Erie or Lake Ontario.

It is estimated that the present water-power installation, of over 2,700,000 horsepower, in Canada saves some 27,000,000 tons of coal annually, which latter would have to be used to produce the same amount of energy.

The Third Great Fallacy

By CONKLING HONSFORD

A MOUNTAINEER walked into the office of the state geologist at Albany, N. Y., with a bag of black rocks on his shoulder.

"You have come to have me tell you what this is," said the geologist; "well, you see it is not coal because it is too heavy to be coal."

Stepping close to the man of science, the mountaineer looked fiercely into his eyes and uttered an impolite but popular form of contradiction.

The man with the bag thought he had discovered coal in the Adirondacks, and the commercial possibilities of his discovery so fired his imagination that the one essential fact upon which was to be built the whole structure of his sudden prosperity was left behind and forgotten. Hence he had no patience with an authority who would not go along with him.

There is a substance that looks like gold. If people would but accept it as such some men could enrich themselves on it, but the world is exacting and knows that there is but one true gold.

If We Can Create Wealth by Printing and Issuing An Abundance of Paper Money Why Can't We Spread Wisdom by a Free Distribution of College Diplomas?

In some rocky formations beautiful crystals are found which look like diamonds, but they are not gems and will not pass as such, however much a finder may insist upon their acceptance as precious stones.

When the black rocks, the "fool's gold" and the poor crystals were produced in the crucible of the universe, the right materials and the right processes were not present to produce coal, gold or diamonds. The mere resemblance avails nothing without the right process back of the product.

Mere glitter and shine is not sufficient. The world will not take a baser substance for real gold and the world will not accept money at its face value unless it actually represents wealth. Issue money arbitrarily, without regard to wealth and the ability to convert that money into gold, and try as we will to keep the money at its face value, down it will go. ("Not worth a continental" means little to the present generation, but it was full of meaning to a previous generation, for Continental money had ceased to have any value.) Every crossroads store in the back country, every fishing village hid in a remote harbor presently will know the truth and mark the tokens down to their proper place. But it is no more unreasonable to ask the world to accept "fool's gold" for the genuine article than it is to expect the people of the United States to accept an outpouring of debased paper money in exchange for their real wealth — land, corn, cotton, potatoes, shoes, coats and coal.

Whenever paper money not immediately redeemable in gold or silver has been issued the resulting confusion has aggravated the conditions which the money scheme was designed to alleviate. Black rocks will not burn simply because they are called coal. Real wealth will not move from its moorings at the behest of mere printed paper bearing a government stamp. All men are the same; they want to know that the value in the money given to them in a permanent value.

An Associated Press dispatch from Weimar, Germany, dated September 22, says that "barter is replacing the use of money in various parts of Germany as a result of the serious depreciation of the mark.

"The Weimar board governing the agricultural schools at Triptis and Marksuhl has fixed the tuition for the winter term in rye instead of in money. Thuringians will pay one and one-half centners (hundred-

weights) for the semester and nonresidents of Thuringia two centners.

"The Saxon Thuringian Power Company at Auma has announced that it will gladly receive, instead of cash, ten eggs, three pounds of wheat flour or a quarter of a centner of potatoes for each kilowatt hour of electricity consumed." And in other districts physicians have announced that henceforth rural patients must pay in produce at prewar rates.

Money is not now or never was wealth. It is the token—the certificate of a certain amount of wealth—the means by which the wealth that one man has may be easily exchanged for the wealth or commodity another possesses.

Here enters the decree, "In the sweat of thy face shalt thou eat bread." There is nothing equivocal or ambiguous about that command. It applies directly to money, and is against all the money plans which are not based on fair dealing. Fair dealing in money means that back of every paper dollar that is issued is the ability to pay that dollar on demand.

Wild money schemes are invariably conceived by the erroneous thought that money is wealth. All the legislatures in the world cannot make money more than it is—a token for wealth. Governments cannot create wealth by printing money with care-free abandon and without provision for redemption in gold or silver any more than colleges and universities can diffuse education and character by issuing diplomas to those who have not completed the prescribed courses of study.

Were it possible by force of government and by the exact and careful marshalling of words into laws, by the passing and repassing of bills in the House of Representatives and in the Senate and by the approval of the President to create wealth by merely issuing money in abundance—then we would have succeeded in stopping the operation of a primal natural law and might in confidence proceed by similar methods to legislate against a long list of unpleasant results which are produced by natural courses.

For years it was a popular belief that a way could be found to transmute a baser metal into gold, but that quest is for obvious reasons no longer popular; for years also it was thought that a machine could be devised that would furnish its own power and run on indefinitely. That, too, has passed the way of many fallacies, but a third great hallucination—that we can by the machinery of legislation circumvent the law of work, as unreasonable a theory as perpetual motion—still persists. And just as the other great hallucinations have done, this make-wealth-out-of-the-abundance-of-money scheme at times gets the serious attention of men who are otherwise safe and sound.

The New President of the A. B. A.

JOHN H. PUELICHER, elected to the Presidency of the American Bankers Association, at the October convention, is president of the Marshall and Ilsley Bank, Milwaukee.

He was born in Milwaukee December 26, 1869, and was educated in the public schools. His business career began in 1885 when he entered the service of the Wisconsin Marine and Fire Insurance Bank. In 1893 he became a discount clerk in the Marshall and Ilsley Bank, was elected assistant cashier in 1905 and cashier in 1906. In 1914 he was promoted to vice-president and became president in 1920.

Mr. Puelicher occupies an outstanding position among the nation's bankers as an aggressive advocate of sound education in banking, finance and economies, both for those engaged in the banking profession and for the general public. In 1902 he founded the Milwaukee Chapter of the American Institute of Banking, serving as its vice-president until 1903, when he became president, serving until 1904.

During the war Mr. Puelicher took an active part in war finance, acting as State Director for Wisconsin of War Savings Stamps. In 1919 he was appointed Government Director of Savings for the Seventh, or Chicago, Federal Reserve District. As chairman of the Committee on Public Education of the American Bankers Association, Mr. Puelicher has initiated and conducted a vigorous campaign for the inculcation of a better understanding of the fundamentals of business and banking on the part of the general public, both through his own speaking tours and through the development of a plan of "a million lectures a year" in the schools by bankers.

His other activities have been extensive. From 1908 to 1909 he was vice-president of the Wisconsin Bankers Association. In 1911 he was president of the Milwaukee School Board. He was one of the founders in 1916-17 of the State Bank Division of the American Bankers Association, becoming the first president of the Division, and during his incumbency took the lead in obtaining amendments to the Federal Reserve Act recognizing the state charters rights of state-chartered banking institutions. Mr. Puelicher is a trustee of Milwaukee-Downer College, and of Marquette University Medical School. He is a member of the American Philatelic Society, Wisconsin State Historical Society and the Milwaukee Art Institute.

Banking Methods and Foreign Trade

By G. B. SHERWELL
Washington, D. C.

An Examination of the Conditions Which Impelled the Establishment of Foreign Branches of American Institutions. Mistakes Made Which Later Prompted the Closing of Several of These Branches. Cuban Case is Typical. Home Office Training Desirable. Functioning of the Edge Banks

A BANK is a product of financial necessity. Its functions are various in accordance with the needs of the community in which it operates. Extension of American banks into foreign fields has been slow and halting. Before the outbreak of the war there were only a few branches of American institutions doing business in foreign countries. This was due to reduced demand for foreign financial facilities, on account of limited foreign trade, as well as to a certain feeling of apathy prevailing among bankers toward the idea of exploring new fields of operation and investment. Branches of English, German and French banking institutions were well scattered all over the world and the service rendered to American exporters by these institutions—such as they were able to offer—was sufficient to properly take care of their needs.

Federal Reserve Act

The general change in European foreign banking, brought about by the war, as well as the continuous growth of American foreign trade, demanded better foreign banking facilities. Operations of American member banks in foreign countries were greatly facilitated by the Federal Reserve Act, authorizing them to open foreign branches and agencies under certain stipulations. Any national banking institution with a capital of at least $1,000,000 may be authorized by the Federal Reserve Board to open branches and agencies in foreign countries. Authorization has also been granted to said institutions to invest 10 per cent. of their paid-up capital and surplus in stock of foreign banking corporations. By an act approved on December 24, 1919, known as the Edge Act, Section 25 of the Federal Reserve Act was amended to authorize the establishment of banking corporations of Federal character, which would do a general foreign banking business whose primary object was to create a broad acceptance market and which were empowered also to open foreign branches with a view of increasing and facilitating foreign transactions. A number of banks were established under these provisions and several member banks rapidly increased the number of their foreign offices in different points of the globe, with preference in Latin America and the Orient.

Radical Change

When the war came to an end an almost radical change had occurred in the pre-war American policies toward foreign banking. Branches had multiplied considerably and all indications pointed towards a brilliant and prosperous new era in American banking. These expectations unfortunately have not materialized. Soon after the universal period of liquidation was inaugurated, a considerable number of branches of American banks have been gradually discontinued, and a policy of retrenchment and extreme conservatism seems to be followed again by those who were hopeful and enthusiastic about the foreign branch banking idea.

The purpose of this article is to analyze the causes which compelled American banks to withdraw from foreign fields, in an endeavor to ascertain whether the prevailing contention to the effect that American banking abroad had resulted in a failure, has substantial basis for serious consideration. For the purpose of this analysis, two groups of banks will be considered. First, the national banks maintaining branches abroad, and second, foreign banking corporations operating under the supervision of the Federal Reserve Board. The second group will comprise the so-called Edge banks.

Rapid Growth

To the mind of the writer the first group of banks did not apparently make a success in establishing permanent connections abroad for two reasons: first, because of unduly rapid and unwarranted expansion, and second, because of lack of men of foreign banking experience and judgment to properly perform their duties assigned in the management of branches.

Undue expansion was the natural result of the apparently excellent opportunities offered to American banks for the handling of trade and production, abnormally inflated during the war. Cuba produced sugar in enormous quantities. The demand of the world for this commodity appeared unlimited. Prices and wages soared. The purchasing power of the people increased in proportion, and a powerful impulse to trade was given which required banking assistance.

In Cuba

In answer to the call of demand, branches of American and Canadian banks were opened not only in every city of importance in Cuba, but also in towns of inferior or no commercial activity. The result was that after the commercial fever had reached a crisis and way was given to a rational natural liquidation of transactions and readjustment to normal necessities, the foreign branches found that their rôle had been of a temporary nature and that the normal needs of the communities where they operated did not warrant their permanent presence in the field. Branches were closed, losses were written off and unfortunately a feeling of discouragement and even indifference seems again

to exist towards foreign branch banking.

Held To Be Typical

Consideration has been given to the case of Cuba for the reason that it is typical, but what has been stated about that island can be very well applied to other countries. Colombia in South America was well covered with branches of foreign banks which were eager to profit by the benefits derived from coffee financing. Brazil presented an excellent field for financing coffee on a large scale. Attention was called to Argentine due to its considerable wheat and meat production.

The countries of the Far East were excellent fields for exchange speculation. In other words, the war conditions in Europe presented before the eyes of American institutions a brilliant mirage of alluring financial operations of every description and America promptly directed its steps towards such an illusion.

At any rate, branches of American banks were opened in foreign places in answer to an immediate demand for them and their actual opening could not be considered less than commendable, considering the conditions prevailing at the time. The actual trouble, therefore, lies in the policies followed by those institutions already in operation in the foreign field.

Branch Policies

The blame is naturally to be divided between home office and branches, but the greatest bulk of responsibility undoubtedly lies in the latter's policies. The officers at the home offices were exceedingly busy attending to and organizing the increasing mass of business. Staffs had to be gathered without much discrimination as to experience and technical knowledge. Recommendations of foreign representatives were taken at face value and their policies approved and supported. On the other ends, in numerous cases, branches were pursuing policies of ruinous competition with other institutions to attract and transact most of the business.

Under the excuse that the commercial community would be benefited by their methods, rates were unreasonably curtailed and antagonism created with native institutions. Money was loaned freely on terms foreign to the local customers and substantial accumulation of deposits was therefore a matter of temporary character. Credit was granted to planters and producers on bases out of the limit of reason, regulated only by terms of competition. Unwarranted financial assistance was extended to planters and producers for considerable expansion of their activities with lamentable results for both the bank and the debtor.

Sugar Funds

In the case of Cuba, funds were advanced on sugar held in storage in the warehouses of the seaports at rates which barely left a margin of 10 per cent. of the prevailing inflated price for sugar. Not only that, but on a similar basis advances were made against prospective crops and also on plantations and centrals; the result being that after a period when profits were reaped in the greatest abundance and increasing impetus was given to further expansion, another era had to take place to bring things back to natural and normal conditions.

Prices of commodities responded to the decreased demand for all staples. New market prices could not cover the amounts advanced on goods in storage. Branches of banks, using all resources available, were compelled to place a lien on whatever securities could be obtained from their creditors to further guarantee loans, which in several cases were covered by staples already considerably depreciated in value and in some cases totally unsalable. Such is the reason why even lands, plantations and buildings were placed in the hands of the banks by creditors who a few months before had considered their affairs in prosperous and healthy circumstances and now found themselves practically bankrupt. In many cases planters and merchants (the borrowers) were not totally responsible for their new financial condition. Their financiers did not find it convenient to give them advice: a silent advice through credit curtailment, that unreasonable expansion was not at all expedient in spite of the booming situation at the time.

Shortage of Help

Poor managerial aptitudes which, as it has been stated, in some cases were responsible for the partial or total failure of foreign branches of American banks, can be easily explained as a very natural product of conditions at the time. Great demand and shortage of help did not allow time and justification for a thorough examination of staffs, but even so, bankers are not made overnight, and granting that the men chosen were thoroughly familiar with the field assigned to them and also with regard to general financial and banking matters, it did not necessarily mean that they were invested with the gift of conservatism and were loath to speculate.

Home Office Training

Bank representatives and managers trained in the heart of the institutions they would eventually represent must be, without the least doubt, the best fitted and the most reasonably expected to perform their duties on the pattern of their home offices. The latter would know, in all cases, what to expect from them, judging from experience at home. There is no other reason which may account for the astonishing success of British and Canadian institutions in foreign fields. It is all a matter of time, policy and willingness to pay the price and have the necessary patience to bring up men, who at the end will repay to their home institutions whatever may have been apparently wasted in training. This does not necessarily mean that it must be so in all cases. Men of technical knowledge and experience may undoubtedly be needed to fill posts of importance, especially in the large commercial centers, but for small places, where in some cases four or five persons make up all of the staff, people trained in the home office will be in a better position to obtain the best results. Present American foreign banking policies do not seem to be favorable to extensive branching in small places, but in point of fact the best way to serve a foreign country financially, and our country's industries as well, is by covering a field properly.

The second group of banks can hardly be said to have actually entered the foreign field at all.

Classes of Edge Banks

There are two kinds of Edge banks, but for the purpose of our discussion we shall only consider those banks engaged in commercial banking business. The services rendered by the Edge banks may be summed up as follows:

I. To advance against commodities in warehouse destined for export.
II. To advance against commodities shipped abroad and against merchandise imported from foreign countries.
III. To undertake foreign collections.
IV. To open import and export commercial credits.
V. To furnish credit information on firms abroad.

Acceptances

The manner of operation of these banks in financing foreign trade by means of acceptances is fully known by those interested in finances. Have the American exporters and manufacturers derived a real and tangible benefit from acceptance banks? Has industry expanded as a result of such assistance? Have new markets been opened to American manufactured commodities through the assistance of these banks? The answer would undoubtedly be: Yes. The American people have learned how to use acceptances and to invest their money in this kind of document in preference perhaps to any other banking security. But it was not entirely to create an acceptance market that the Edge banks have been established. Financing of trade has been considerably facilitated and extended. Edge banks have the legislative right for expansion in foreign countries, but so far American trade abroad is to the largest extent either in the hands of foreign banks or branches of foreign banks. It is most natural for these institutions to promote and give preference and assistance to commercial transactions of their own country. In other words, what they do with American banks and trade is "to accommodate them." American foreign commerce is stumbling in the dark as a result of this policy. The difficulties and hardships experienced by exporters and manufacturers due to these "accommodating" foreign banking facilities abroad are very numerous and it would take a large space to enumerate the most important. They may, however, be summarized under two heads: poor and unreliable credit information, and most unsatisfactory collection service. Credit information obtained from foreign correspondents is often incomplete and in many cases unreliable. Some institutions in small places in foreign lands are not any too scrupulous in giving out information of this sort for fear of losing a client. As regards collection service, in innumerable instances losses to American exporters might have been avoided had the local banker abroad, who was supposed to take care of the exporter's interests in a proper manner, given the exporter the necessary data on local requirements, and a little advice perhaps.

Other Nations

The opinion has been expressed by a high official of one of the Edge banks to the effect that banks engaged in foreign financing have had to pursue certain changes and effect some economies during the afterwar period of decreasing foreign transactions, but no real backward step had been noticed. In fact, no backward step has been taken by the Edge banks. It cannot be denied, however, that other banking institutions, whether engaged solely in international banking or having as one of their most important features foreign banking have moved backward in their activities in foreign countries.

Canadian, British and German banks are going ahead with their branching work and only in countries, such as Spain, where special high taxes are directed against foreign banks doing business in that country, which makes it almost impossible to work on a profitable basis, British banks have shown signs of retrenchment or abandonment of the field. This, however, is not absolute, as in the case of the London County and Westminster Bank, which closed its branches in certain points in Spain only to be taken over by a native institution closely affiliated with the English bank.

American banks enjoy excellent legislative facilities for foreign expansion under the Federal Reserve Act. It is to be hoped that when the time arrives where surplus money will seek an outlet to foreign countries to bring higher returns than in home investments, proper and extensive study will be given to the foreign banking question. American industry will then receive adequate assistance in its expansion into foreign countries, and foreign trade may then hope for greater success.

The Book of New York

One of the finest souvenirs ever given to convention guests is the "Book of New York," in which the history and development of the world's greatest city are shown in a series of beautiful pictures. Convention souvenirs often are things of transient interest, but here is a book of permanent value, for it is a piece of superior printing in which there are portrayed and contrasted the New York of the present and old-time scenes on the sites of the modern wonders of the commercial world. For instance, the Grand Central Station of today, surrounded by great hotels and office buildings daily housing more people than many well-known cities, is a far cry from the shanty in a hollow with a bit of crazy railroad track extending to it, which was the predecessor of the present structure. The "Book of New York" is a publication of as much interest to the permanent resident of the city as it is to the occasional visitor. It will be valued by all who receive it, but none will appraise it higher than those who delight in fine works and those to whom artistic values make the strongest appeal. The book, prepared by Guy Emerson and Henry Collins Brown, editor of Valentine's *"Manual of Old New York,"* is the fruition of eight months of research during which nearly 500 old prints and paintings and 1,000 photographs were studied. Besides seeking out suitable material in the old print shops the editors in their search examined the collections of the New York Historical Society, J. P. Morgan, I. N. Phelps Stokes and Robert Goelet, the Downtown Association, the Metropolitan Museum of Art, the American Museum of Natural History and the Sons of the Revolution.

OPINIONS OF THE GENERAL COUNSEL

THOMAS B. PATON
General Counsel

Release of Accommodation Indorser by Extension

Where a bank holds the note of a corporation upon which there is an accommodation indorser, and accepts a renewal note from the corporation not indorsed by such indorser and without his consent, and the bank does not expressly reserve a right of immediate recourse against the indorser upon the original note, which it retains, the indorser is discharged by the extension of time without his consent. But if the acceptance of the renewal by the bank is conditioned upon its being indorsed by the accommodation indorser, the latter will not be discharged, as the failure to indorse would be a non-performance of the condition which would preserve the right of the bank to immediately proceed upon the original note and not postpone the enforcement until maturity of the renewal.

From Virginia—John Doe & Company discounts their note with their bank bearing the indorsement of John Smith and Jim Jones. The paper was not paid at maturity, so notices of dishonor were sent to the makers and indorsers. A few days later John Doe & Company, Inc., offered a renewal note, bearing the indorsement of John Smith, stating that Jim Jones was out of town, but would call in and indorse the renewal. The bank accepts this renewal note, but holds the original paper, stating that they would return it just as soon as Jim Jones came in and indorsed. Jim Jones fails to indorse the renewal note and the bank is unable to collect from John Doe & Company, Inc., and John Smith. Could they hold Jim Jones on the original note which the bank has in its possession, although he failed to indorse the renewal? You will, of course, understand that the note was never marked "paid."

The question presented is whether Jim Jones, accommodation indorser upon the note of a corporation, is discharged from liability, in view of the acceptance by the bank of a renewal note under the circumstances as stated. The Negotiable Instruments Act provides:

"A person secondarily liable on the instrument is discharged * * * by any agreement binding upon the holder to extend the time of payment or to postpone the holder's right to enforce the instrument, unless made with the assent of the party secondarily liable, or unless the right of recourse against such party is expressly reserved."

The above is a codification of the rule of the common law that an agreement with the principal debtor to extend the time of payment without the consent of the surety or indorser, discharges the latter, unless a right of immediate recourse against the indorser is reserved. Explaining the reason of this rule, Mr. Justice Gray, in National Park Bank *v.* Koehler, 97 N.E. (N. Y.) 468, says:

"It is a rule, long recognized, that an accommodation indorser, or surety, is entitled to have the engagement of the principal debtor preserved, without variation in its terms, and that his assent to any change therein is essential to the continuance of his obligation. The reason of the rule is that his right must not be affected, upon the maturity of the indebtedness, to make payment and, by subrogation to the creditor's place, to at once proceed against the principal debtor to enforce repayment. Therefore it is that any agreement of the creditor, which operates to extend the time of payment of the original debt and suspends the right to immediate action, is held to discharge the non-assenting indorser, or surety; as the law will presume injury to him thereby. The creditor may arrange with his debtor in any way which does not result in effecting either of these results. He may take, as collateral to the old note, new security, or other notes, and, if time is not given to the debtor, the indorser, or surety, will not be discharged. To prevent such a result the agreement must expressly reserve all the remedies of the creditor against the indorser, or surety; in which case the latter will be in a position to pay immediately and, then, to proceed against the principal debtor."

It will be of interest to review the facts and decision in the National Park Bank case, not only because they have a bearing upon the question you submit, but because the case is illustrative of how a bank may, in certain circumstances, where renewal notes are taken, lose its recourse upon a non-assenting accommodation indorser who has not indorsed the renewal, although believing it has secured his liability.

In that case the bank held the note of a corporation for $15,000 on which one K was an accommodation indorser. Prior to maturity the corporation wrote the bank asking an extension and proposing to pay the amount in weekly installments, the corporation to give new notes with the personal indorsement of N, its president. The bank replied, acceding to the corporation's request, the notes to be indorsed personally by Mr. K, "as proposed." The corporation replied to this, enclosing notes indorsed by Mr. H and pointing to a little mistake in the bank's letter as the corporation had proposed to have Mr. H, and not Mr. K, indorse the renewals, Mr. K being absent for a period of several months. To this the bank replied, giving its reasons for preferring the indorsement of Mr. K and saying, "We, therefore, return the notes for indorsement of Mr. K." On the day of maturity of the original note the corporation acknowledged the bank's letter and said: "We do not see how it is possible to get Mr. K's indorsement when Mr. K is out of the country and will not return for three months or so. In the meantime we can only assure you that we will pay the notes as they fall due and we suggest that you hold the old note with Mr. K's indorsement as collateral until the new notes are paid as a way out of the difficulty. We have left Mr. H's indorsement on the new

notes as proposed by us. The new notes, as suggested, are enclosed and we take it this matter is now in order." The bank made no reply to this letter, but did not return the new notes. The old note was protested with due notice of dishonor to Mr. K. A charge of the amount of the old note to the corporation was entered upon the books and also a credit entry made of the amount of the new notes as discounted. K was absent at maturity of the old note and during the period of the running of the new notes. $5,000 of the new notes were paid, leaving $10,000 due.

The bank sued K as accommodation indorser of the old note and the latter interposed as a defense that he had been discharged through an extension of time of payment prior to maturity, without his consent, by the taking of new notes, payable at future dates. The bank had judgment in the lower court on the theory that the facts above outlined evidenced an agreement by which the rights of the bank as against the indorser upon the old note were reserved, the court holding he was not discharged. This judgment was affirmed by the Appellate Division, but reversed by the New York Court of Appeals and the indorser held to be relieved from liability. Two justices dissented. The following analysis of the opinion will be found instructive:

The higher court said that the bank, having retained the new notes and having credited their amount to the corporation, must be deemed to have assented to the proposition accompanying their delivery and to be bound by its legal effect as an agreement. The contention of the indorser was that the agreement operated to extend the time of payment and, therefore, to discharge him as a non-assenting indorser. The bank contended the arrangement meant and was understood to mean a reservation of the bank's rights against the indorser and the retention of the rights of the latter against the principal debtor; that the agreement was conditional upon the assent of the indorser. The court pointed out the agreement did not, in terms, reserve the holder's remedies against the indorser, for the bank was to hold the old note with K's indorsement "as collateral until the notes are paid." That was the eventual agreement, although the bank had previously insisted upon K's indorsement, but when the new notes were again sent to the bank without that indorsement they were retained without a demur that the corporation be allowed to make payment through them and that the old note be held as collateral. The bank's claim is that under the circumstances and with the protest of the original note the agreement was in effect the preservation of the indorser's obligation, as it originally existed with all his rights unimpaired. But the court points out that the fact of protest did not prevent the agreement operating to suspend the bank's right of action against the maker, although it did show that the bank accepted the arrangement and doubtless supposed the indorser's liability to have been fixed and preserved. Approaching the question how was the agreement to be interpreted, the court said it was not conditioned upon the indorser's consent to the agreement, which would have left him free to proceed upon the old note by taking it up and enforcing repayment against the maker. Its effect was to preclude the bank from maintaining any action upon the note against the maker, for the corporation could have objected that, under that agreement, it was to be held as collateral until the new notes were paid. Thus the right of action was necessarily suspended during the interval. The effect of the agreement was to bind the hands of the bank. The new notes were to be held until their maturity and only then, if default in payment occurred, was the old note to be enforced. In this arrangement there was evidenced the intention of the parties to suspend action upon the note until a future day. Had matters remained as they were upon the debtor's default in payment, the bank might have been indulgent in enforcing the note and the indorser would have been held; it would have rested with him to stand a suit or to pay the debt and to prosecute his remedy against the principal debtor. It was reasoned by the lower courts that in view of what had occurred between the parties, this transaction between them was conditional and "a fair inference from the entire transaction is that the plaintiff absolutely reserved its right forthwith to proceed against the defendant and that the extension of time was conditional upon defendant's consent." This view, the Court of Appeals says, is weakened by the necessary concession that there was an extension of time, by the absence of sufficient language in the agreement to import its dependence upon some further act, as the consent of the indorser, and by the fact that that consent was not had nor previously sought. The Court of Appeals holds that within the rule of the authorities and under the Negotiable Instruments Act, the agreement of the parties did not distinctly, nor impliedly, reserve the right of the bank to proceed by immediate action against the indorser. Action against him, as against the maker, was suspended. The court said that while it may be assumed that the bank believed these conditions to have existed, or its assent would have been refused to the arrangement, the obligation of such an indorser, as a surety, is *strictissimi juris.* He was entitled to insist that within the strict application of the rule in such cases he was released from his obligation by an agreement of the creditor with the principal debtor, to which he had not consented and which extended the latter's time of payment of his indebtedness.

In the light of the foregoing, was the accommodation indorser, in your case, discharged under the circumstances stated by you? This question, I think, depends upon whether the arrangement between the bank and the corporation under which it accepted the renewal note was a binding extension of time of payment under which the bank's right of action upon the original note was postponed. There was no reservation against the indorser and the proposed extension was without his assent for, presumably, the statement of the maker that Jim Jones "would call in and indorse the renewal" was made without his knowledge; nor is it stated that the note in question contained any clause to the effect that indorsers and sureties consent to an extension without notice. It would seem, however, differing from the facts in the National Park Bank case, that there was no binding agreement to renew the note which post-

poned the bank's right of action upon the original, for in the present case the company offered the renewal note, coupled with the statement and promise that Jim Jones was out of town "but would call in and indorse the renewal," and the bank accepted the renewal but held the original paper, stating they would return it as soon as Jim Jones came in and indorsed. It seems to me that this was a conditional acceptance. When the offer of a renewal note was coupled with the promise that it would be indorsed by Jones and when the bank accepted the renewal note, I think it would be held that the acceptance was conditional upon the promised indorsement being made and the condition not being performed, the acceptance of the renewal was not binding and the bank free to immediately proceed against the corporation and against the indorser on the original, his liability having been duly preserved by notice of dishonor at maturity.

The reply to your question, therefore, is that the bank can hold Jim Jones on the original note, in the circumstances stated, although he failed to indorse the renewal.

Notes Indorsed "Without Recourse" With Separate Guaranty

Bank A indorsed certain notes to Bank B "without recourse," but guaranteed such notes in a separate instrument. The successor of Bank A now claims that the indorsement without recourse offsets or nullifies the guaranty and disclaims liability. Opinion: Where an indorsement "without recourse" accompanied by a separate guaranty of payment is made in good faith and without fraudulent intent, the acts are not self-stultifying or mutually nullifying and the guaranty is enforceable; but where such a transaction is entered into by the parties for the purpose of deceiving the bank department, the guaranty would probably be held affected by fraud and unenforceable.

From Minnesota—I am very much interested in a legal question involving a proposition of a country bank discounting certain of its notes to us upon which the rubber stamp was used indorsing them without recourse. We would not accept them without being guaranteed by the bank. They issued a separate guarantee authorizing us to charge them to their account as they matured unless paid by the makers. We did charge quite a number of them to the bank, and the bank failed while we still had about $7,000 worth of them.

The bank has been reopened under new management, but is the same institution so far as their assets and liabilities are concerned. The new management claims that for us to have notes indorsed without recourse and at the same time guaranteed by an instrument signed by the cashier, the effect is for one act to offset the other. I might add that the bank was given credit from time to time as the notes were discounted and that they drew the funds so credited to their account. There was no attempt made to deceive the banking department, as we have always reported the rediscounts upon every examination. We believe, however, that they did not so report it.

Will you kindly give me an opinion upon the proposition? I am sure that an article would be of general interest covering this question, as it is quite commonly done.

An indorsement "without recourse" constitutes the indorser a mere assignor of title to the instrument without liability as indorser in case of its non-payment. But such an indorser warrants genuineness of the instrument. Secs. 38 and 65, Neg. Inst. Act. A guaranty, such as in the case submitted, is "a collateral undertaking to pay a debt owing by a third person in case the latter does not pay." Dole *v.* Young, 24 Pick. (Mass.) 250.

In the case submitted where certain notes are indorsed "without recourse" and by a contemporaneous written instrument they are guaranteed by the indorser, the contention is that as under the one contract the indorser stipulates that he will not be liable in case of non-payment and under the other that he will be liable, the one nullifies the other and there is no liability under the guaranty.

Careful research has failed to disclose any case where the legal effect of such dual and seemingly contradictory stipulations made in good faith and without fraudulent intent has come up for decision. But on principle and by analogy, such a contract of guaranty, contemporaneously executed so as to be based on the consideration given for the notes, would seem enforceable, notwithstanding the indorser has stipulated in the notes themselves that he will not be liable in case of non-payment.

The contract of the indorser is not the same as the contract of the guarantor. Both undertake to pay if the maker does not, but the undertaking of the indorser is conditioned upon due demand and notice, while such strict condition is lacking in the contract of the guarantor. There may be good reason why the purchaser of the paper should desire to hold the seller liable as guarantor rather than as indorser—the requirement of diligence in case of non-payment is less rigid—and to carry out an agreement for such liability there would seem nothing inconsistent in the seller relieving himself from liability as indorser by indorsing "without recourse" and contemporaneously assuming the liability of guarantor by an express written guaranty in a separate instrument. Again, a guaranty of this kind, written on a separate paper, is not negotiable while a contract of indorsement is enforceable by successive indorsees. The seller of the paper may desire his liability for non-payment to run to no one other than his immediate transferee; an indorsement without recourse, coupled with a separate guaranty of payment, would accomplish this object. Again, considerations of convenience may be served by the execution of one instrument of guaranty to apply to notes from time to time rediscounted for the indorser, the consideration for such continuing guaranty being the money advanced from time to time as the notes are discounted. In such a case the indorser, having bound himself as guarantor, may very properly indorse such notes without recourse in order to obviate liability in the double capacity of indorser and guarantor.

It has been held in one case where an instrument was transferred under indorsement in blank and an assignment was made by a separate instrument with an express provision that the indorsement should be "without recourse," that the provision relieving against liability was good as against holders with notice. Collier *v.* Mahan, 21 Ind. 110. If the effect of an indorsement in blank may be limited or changed to an indorsement "without recourse" by a

separate instrument in writing, it would seem *eo converso,* that the legal liability flowing from an indorsement "without recourse" can be expanded and enlarged by a specific contract of guaranty executed simultaneously with the indorsement and full legal effect given to such guaranty.

As a matter of fact, there is judicial authority for the proposition that an indorsement without recourse is not a contract at all, but merely operates to transfer the title to the instrument; Carroll *v.* Nodine (Oreg. 1902), 69 Pac. 51. In this case the court said, inter alia: "The liabilities of an ordinary or unqualified indorser are upon the instrument indorsed, conditioned upon demand and notice; but where the transfer is by indorsement without recourse, or by delivery, the vendor's liabilities arise from the fact or contract of sale, and not upon the paper. The purpose of such an indorsement, like delivery without indorsement, is simply to carry title to the purchaser, without alone importing a contract. * * * It will hardly be disputed that the vendor of personalty may by verbal understanding or agreement limit the liability under the implied warranty of title, and thereby make the transfer entirely at the purchaser's risk; and why should not the same principle govern as to the sale and delivery of commercial paper, where the indorsement merely operates to transfer the title? And to carry the reasoning a little further, there is no implied warranty by a sale and simple delivery of the paper, or by indorsement without recourse, of the solvency of the maker or other person liable for its payment; but we take it to be unquestioned now that the vendor may, by express verbal agreement, warrant the solvency of such parties, and thereby render himself directly liable in case of their default in payment." If the legal effect of an indorsement without recourse may be varied by a parol agreement guaranteeing the solvency of the makers, *a fortiori,* the legal effect of such an indorsement may be varied by a simultaneous written contract of guaranty, and such contract of guaranty enforced.

In the light of the foregoing, the conclusion would seem to follow that where an indorsement "without recourse" is coupled with a separate guaranty of payment, they are not self-stultifying and mutually nullifying, but both can stand and the guaranty be enforceable, where made in good faith and without fraudulent intent.

But in a case where such a guaranty of payment of a note indorsed without recourse is given and received in pursuance of a purpose to deceive the Bank Department, the contract of guaranty would probably be held affected by fraud and unenforceable. A case which indicates that such a result would follow is First National Bank *v.* Cripple Creek State Bank, 163 Pac. (Colo.) 1134. In that case a bank rediscounted certain notes with its correspondent under regular indorsement. Later, while the correspondent held renewals, regularly indorsed, an arrangement was made by which "without recourse" was stamped over the indorsements, coupled with an oral agreement that, regardless of such agreement, the indorsing bank would guaranty their payment. The purpose of this agreement was to make it appear to the Bank Department that the indorsing bank was not liable upon and did not have outstanding any rediscount paper, and in pursuance of this agreement the correspondent bank wrote the Bank Commissioner that all the paper it held of the indorsing bank was "without recourse" and was purchased outright and that the indorsing bank had no rediscounts with it. Still later the notes were again renewed, the "without recourse" stamp being omitted. The correspondent bank brought suit against the indorsing bank on the last renewal. The court characterized the verbal agreement to stamp the notes "without recourse" and to guaranty their payment as unlawful and reprehensible, but it held that the indorsing bank was liable upon its general indorsement of the last renewal on the theory that the notes originally given were indorsed generally.

The inference to be drawn from this decision is that in any case where, in pursuance of a purpose to deceive the Bank Department, an agreement is made between two banks whereby one bank indorses its notes to the other without recourse and couples same with a separate written guaranty of payment, the transaction will be held unlawful and invalid and the indorsing bank relieved from liability upon its guaranty. But wherever there is no element of fraud in the transaction, it would seem, for reasons stated above, that the guaranty would be enforceable, notwithstanding the notes guaranteed were indorsed "without recourse."

Effect of Death of Maker of Note

Where the maker of a note dies prior to its maturity, this event does not mature the note, in the absence of an agreement to that effect, but the note should be held and presented at maturity to the personal representative, or at the place of payment, if specified, and the indorsers notified if not paid. Under statute in Wisconsin, if the note does not mature until after the time limited for presentation of claims, the holder may present and prove the note to the County Court within one year after maturity.

From Wisconsin—Will you kindly advise as to whether or not, under the rulings of this state, the death of a maker of a promissory note occuring prior to the maturity of said note makes the note due and payable? And whether or not notice to this effect should be given to any indorsers appearing thereon as soon as knowledge of the death of the maker has been gained.

The death of the maker of a promissory note occurring prior to the maturity of the note, does not make the note due and payable. The law of Wisconsin is no different from the law in other states on this point. The Negotiable Instruments Act of Wisconsin provides:

"Where the person primarily liable on the instrument is dead, and no place of payment is specified, presentment for payment must be made to his personal representative, if such there be, and if, with the exercise of reasonable diligence, he can be found."

Under the law merchant, if there is no personal representative, presentment should be made at the dwelling house of the deceased unless the note is made payable at a particular place, then it would be sufficient if presented at such place.

There is nothing in the Negotiable Instruments Act or in the law mer-

chant which matures a note in event of the death of the maker. When the note matures, then presentment should be made as above indicated and the indorsers notified if not paid.

There might, of course, be an agreement between bank and maker of note that on the death of the maker all his paper should mature; but unless there is such an agreement the death of the maker does not *ipso facto* mature the note.

Should maturity be a long way off, Section 3860 of the Wisconsin statutes provides, that if the claim of any person shall accrue or become absolute at any time after the time limited for creditors to present their claims, the claimant may present it to the County Court and prove the same at any time within one year after maturity and the executor and administrator must pay it, if he has sufficient assets.

Set-off of Bankrupt's Deposit Against Unmatured Notes

The provision in the A. B. A. standard form of financial statement, giving the bank the right, upon the maker's becoming insolvent or bankrupt, to mature his notes and charge them against his deposit balance and giving the bank a continuing lien upon such balance, does not violate the Federal Bankrupt Act as to creation of a preference; for it has been held, under that act, that in the absence of fraud or collusion between bank and bankrupt, the bank has a right to set-off his deposit balance against his notes, whether matured or unmatured, and that no preference thereby results.

From Nebraska—In the second paragraph of the A. B. A. standard form of financial statement there is a statement permitting the bank, upon the commission of an act of bankruptcy by the maker of the statement, to make a charge against any funds of the bankrupt and making a continuing lien against any subsequent deposits. Now the question in my mind is whether such a charge would not make the bank a preferred creditor and thus violate the legal provision of a four months' limit and force any assets thus obtained to be returned to the general fund for the benefit of the general creditors. Thanking you for information on this point.

The A. B. A. standard form of financial statement contains a provision that in consideration of granting credit, if the maker becomes insolvent or commits an act of bankruptcy, all his unmatured obligations held by the bank shall immediately become due and may be charged against his deposit balance, the bank being given a continuing lien upon the balance of account from time to time existing, to secure all obligations, held by the bank.

The question is raised whether if the bank charged an unmatured note against the maker's deposit balance upon his becoming bankrupt, this would not be the creation of a preference.

The Supreme Court of the United States has directly held the contrary. In New York County National Bank *v.* Massey, 192 U. S. 138, it was held that insolvents by depositing money in a bank subject to check do not thereby make a transfer of property amounting to a preference which, under the Bankruptcy Act of 1898, Sec. 60a, will deprive the bank of its right under Sec. 68a to set off the amount of such deposit remaining to the depositor's credit on the date of their adjudication in bankruptcy and to prove its claim against the bankrupt's estate for the balance.

In Germania Savings Bank and Trust Co. *v.* Loeb, 188 Fed. 285, the Circuit Court of Appeals in the Sixth Circuit, referring to the Massey case, said:

"It has been authoritatively decided by the Supreme Court, in considering these two sections, that the balance of a regular bank account at the time of filing the petition is a debt due to the bankrupt from the bank, and in the absence of fraud or collusion between the bank and the bankrupt, with the view of creating a preferential transfer, the bank need not surrender such balance, but may set it off against notes of the bankrupt held by it, and may prove its claim for the amount remaining due on the notes."

In that case the court held that the fact that the notes were not due at the time of the bankruptcy is immaterial to the right to set off, because under Sec. 63a (1) a debt is provable, whether due or not at the time of bankruptcy.

Without further elaboration of the authorities, the law is clear that, in the absence of fraud or collusion between the bank and bankrupt, the bank has a right to set off the depositor's balance at the time of his bankruptcy against his notes owned by the bank, although they are not matured, without such application of the deposit being held a preference.

Telegraphic Stop Payment of Check

A bank inquires whether a telegraphic order to stop payment of a check binds the bank when not confirmed by letter. Opinion: In England it has been held that a bank is not bound to accept an unauthenticated telegram as sufficient authority; but two American courts have held that payment of a check may be countermanded by telegram and such is binding upon the bank. It is suggested that banks stipulate in their passbooks that telegraphic notices to pay checks shall not be binding unless immediately confirmed by letter.

From District of Columbia—A gives a check for $100 payable to a party outside of this city. Two days after the check is given A telegraphs to the bank on which the check is drawn requesting them to stop payment on the check, describing the same. He does not follow this with a letter confirming his telegram. Should a bank accept a stop payment of this kind, and if it does not stop payment are they liable? If not, what defense have they?

The question raised is whether a telegram received by a bank from its customer instructing the bank to stop payment of a described check is sufficient, where unconfirmed by letter, to obligate the bank to refuse payment of the check when presented.

The authorities upon the proposition are somewhat meager. In an English case, Curtice *v.* London City & Midland Bank, 98 Law Times Reports 190, it was held that a bank is not bound, as a matter of law, to accept an unauthenticated telegram as sufficient authority for the serious step of refusing to pay a check. But the court said that a telegram may reasonably and in the ordinary course of business be acted upon by the bank, at least to the extent of postponing the honoring

of the check until inquiry can be made.

Two American courts have, however, held that the payment of a check may be countermanded by telegraphic notice, and such is binding upon the drawee bank. In Western Union Telegraph Co. *v.* Louissell, 11 Ala. App. 563, 66 S.W. 839, it was held that where a bank received a customer's telegram stopping the payment of a draft it was bound to obey the telegram according to its exact tenor without inquiring whether any mistake had been made in transmitting it.

In Ozburn *v.* Corn Exchange National Bank, 208 Ill. App. 155, the court said: "It has been held, however, in many cases in the United States that a draft, for example, may be accepted by telegram, even in jurisdictions where the law requires the acceptance to be in writing; * * * and it would seem to follow as reasonable that if a promise to pay may be made by telegram, that an order not to pay, as in the case of a countermand by a depositor in a bank, may be made by telegram. Although we do not find that the precise question has been decided in this state, we are of the opinion that, as a matter of law, the payment of a check may be countermanded by means of telegraphic notice."

If we are to accept this somewhat slender basis of American authority as providing the rule upon the subject, then it would follow that the bank in the case submitted would be bound to accept the telegram as a sufficient instruction not to pay and to refuse payment. At the same time, in view of the risk of stopping payment upon forged or unauthorized telegrams, it might be well for the bank to stipulate in its passbook rules that telegraphic orders to stop payment must be immediately confirmed by letter in order to be binding.

Collateral Note Secured by Deed of Trust

Where a bank lends money secured by deed of trust and instead of taking the usual form of promissory note evidencing the debt, uses a collateral note form this, while unusual, will not affect the bank's remedy under the deed of trust and will afford the debtor no ground to restrain the sale of the land.

From North Carolina—Among our bills receivable, we find in some instances notes secured by deeds of trust where the collateral form of note was used instead of the usual promissory note. We understand a deed of trust conveys to the trustee lands to secure payment of note instead of being deposited as a collateral to the note.

Please advise if this is in good shape and would hold good if we were forced to sell the land to pay the note. The question arises whether the maker could enjoin the sale upon some ground.

A loan secured by real estate or tangible personal property is generally effected by two instruments, a note or bond evidencing the debt and a chattel mortgage of personal or a mortgage or deed of trust of real property delivered as security therefor. Where, however, the loan is secured by securities, susceptible of manual delivery and physical possession, such as stocks and bonds, the usual procedure is to combine in one instrument the contract promising to pay the debt and the contract pledging the security, namely, the collateral note.

In the making of a loan on real estate security, while it is unusual to use the collateral form of note in taking the deed of trust, I do not think such use would, in any way, affect the bank's security. What is the nature and legal effect of a trust deed?

A trust deed in the nature of a mortgage is a conveyance of the property intended to be pledged, in fee simple to one or more trustees, who are to hold the same for the benefit of the lawful holder of the note, bond, or other obligation secured, permitting the grantor to retain the possession and enjoy the rents and profits of the estate until default shall be made in the payment of the obligation secured, and with power in the trustee or trustees, upon such default, to make a sale of the premises and satisfy the holder of the debt out of the net proceeds, returning the surplus, if any, to the grantor. McDonald *v.* Kellogg, 30 Kan. 170; Martin *v.* Alter, 42 Ohio St. 94; Langmaack v. Keith (So. Dak.), 103 N. W. 210.

A deed of trust of real estate executed for the purpose of securing a debt, conditioned to be void upon payment of the debt, and containing a power of sale upon default, is essentially a mortgage, and does not differ, in its legal operation and effect, from an ordinary mortgage with power of sale. Turner *v.* Watkins, 31 Ark. 429; Union Mut. L. Ins. Co. *v.* White, 106 Ill. 67; Harriman *v.* Woburn Electric Light Co., 163 Mass. 85; Shillaber *v.* Robinson, 97 U. S. 68. Like a mortgage, such a deed is a mere security for a debt or for the performance of certain undertakings by the grantor. It is a mere incident to the debt which it secures, upon which it depends, and which it follows, and will pass with an assignment of the debt to the holder. Stiger *v.* Bent, 111 Ill. 328; N. Y. Central Trust Co. *v.* Burton, 74 Wis. 329.

As a trust deed generally contains a grant of all the necessary powers to enable the lender to realize upon the security on non-payment of the debt, there is no necessity for the lender to take therewith anything more than the usual promissory note evidencing the debt; but if instead of the ordinary form of note a collateral note is taken which not only promises to pay the debt, but recites the deposit of the trust deed as security therefor with the usual power of sale of collateral and other clauses, this at most would only seem a duplication of powers conferred in the trust deed or possibly the conferring of additional powers, and even though some of the powers of enforcement conferred by the collateral note were inconsistent with the provisions contained in the trust deed or were inappropriate or inapplicable to the enforcement of the real estate security, it would seem that so long as the powers conferred in the trust deed are ample for the bank's protection, such powers conferred by the collateral note as were inconsistent could be disregarded.

In case of non-payment of the debt, therefore, I am of opinion that the land could be sold under the power of sale contained in the trust deed and that the fact that the debt was evidenced by a collateral note, instead of by a plain promissory note, would afford the debtor no ground to restrain the sale or otherwise prevent the bank from enforcing the security.

Employees' Savings Fund

By WM. LEAVITT STODDARD
American Trust Company, Boston, Mass.

THE problem of establishing regular habits of saving among the personnel of a bank is of the first importance. If you couple with this the desire on the part of the bank to tie its interests more closely with those of its employees, you have the material for a very interesting study. On the one hand, a savings' plan is worthless unless it is universally participated in. On the other hand, a profit-sharing plan is without value unless it is a *real* profit-sharing plan; unless, in other words, the share of the profits is fixed and determined in advance, thus bearing a definite relation to the earnings of the business, and thus making the participants feel that they are, to some degree, partners in the business.

With these underlying principles in mind, the American Trust Company, over a year and a half ago, devised a plan in which profit-sharing is combined with compulsory savings. The plan goes by the name "Employees' Savings Fund" and has as its object "the encouragement of saving among the contributors and the providing of a fund for their benefit and that of their beneficiaries." The portion contributed by the company is 5 per cent. of the net earnings, and is treated as "a deferred accumulating salary for services rendered." In effect, of course, this is profit sharing in the scientific definition of the term, for the percentage that comes from the company is fixed, and, while not guaranteed, is conditioned upon the company's "earning net profits sufficient to enable it to contribute hereunder as hereinafter stated."

The plan has beyond question succeeded. Summarized briefly, the plan provides:

The officers and employees of the bank (except directors who are not officers) under this agreement contribute a definite sum each year to the savings fund. The percentage is not more than 5 nor less than 2 per cent. of their current yearly salary, and in no case exceeds $200 per individual. Thus the highest salaried men and officers are restricted in their participation. To the fund so created the company pledges itself to contribute 5 per cent. of its net earnings "as a deferred accumulative additional salary for services rendered." The company's contribution is made twice a year after its net earnings for the six months are determined, out of the money applicable for dividends. Hence that part of the whole that comes from the prosperity of the business is, in effect, a dividend, though it does not cut into net dividends, being taken, as a matter of fact, from surplus. Thus the plan, in a sense, makes the employees partners in the bank and encourages loyalty and efficiency. The plan is open to every officer and employee, not excluding the scrubwomen and cleaners.

The savings fund is administered by a board of trustees, elected from the employees by the directors of the company. As their designation implies, they may invest the fund of the trust in stocks, bonds, mortgages, etc.

Money may not be withdrawn from the fund except if the employee leaves or is discharged from the company. In case he is discharged for fraud or dishonesty, the company's contribution to the fund is withheld from him and he receives his own principal plus compound interest at 4 per cent.; otherwise the fund is paid to the estate of the contributor on his death, or to him upon resigning from his position. Employees may borrow not to exceed 80 per cent. of the amount of the fund to their credit at 5 per cent., but when borrowing they do not participate in the contribution from the company.

Some companies which contribute from their earnings to similar funds make it a condition that the beneficiary shall remain in their employ for a stated period. In the plan under discussion no such requirement is made. In other words, the portion of earnings which is put in by the company is prorated among the employees, becomes the property of the individual employee under the trust agreement.

No employee may withdraw any part of his interest in the fund while still an employee.

This plan has fully met the expectations of its originators. Inquiry among the employees shows that they regard it, not as a gratuity, but as an earnest of the desire of the stockholders to knit together more firmly the interests of all who are concerned in making the bank a success. Each contributor during the first year received a "dividend" from the bank of nearly double his contribution.

The Counterfeit Exhibit

Among the many interesting things during the convention was an exhibit of counterfeit money and raised notes shown by Chief W. H. Moran of the United States Secret Service.

Some of the raised notes among the specimens in the exhibit have the figures of larger bills carefully pasted over the corners of smaller bills, so that a $2 note appears upon hasty glance to be $50. Others, in which the fraud is almost as easily discernible, show a figure 1 changed to a 5, so that a $10 note might appear to be $50. In some instances the note-raiser has taken pains to cover the portrait on the smaller bill with the one that properly belongs on the larger denomination.

The present-day counterfeiters use a photo-mechanical method. Some of the spurious bills in Chief Moran's possession are merely photographs. In comparison with legal tender they are easily distinguishable.

The Condition of Business

THE month of September witnessed the dismissal to the background of a number of factors which have stood in the way of the forward movement of business for many weeks. Not only were the two coal strikes settled but the production of coal returned to a practically normal rate in a remarkably short time. There is no way as yet of measuring fully the ultimate effects of the coal strike, but it seems to be clear at present that the results will be terms of inconvenience rather than of suffering or serious retardation of business progress. The rate of production of bituminous coal may be gathered from the following table, showing the soft coal production for the second week in September of each year since 1918:

1918	12,542,000 tons
1919	11,046,000 tons
1920	10,865,000 tons
1921	8,187,000 tons
1922	9,661,000 tons

This year's production was ahead of that of 1921, but somewhat under that for the preceding years.

Heavy Freight Movement

The settlement of the railroad strike on some of the roads and the gradual recruiting of forces on other roads has made it possible to meet the demands of the suddenly accelerated coal movement without seriously impeding the movement of other essential commodities. The total rail movement has recently been running 10 or 12 per cent ahead of last year's loadings. For the first time since November, 1920, the number of surplus freight cars has nearly disappeared and in recent weeks the requests of shippers for cars have at times exceeded the supply.

With these disturbing factors of coal and railroad strikes in a better state of adjustment it has been possible to see more clearly the fundamental movements affecting the business of the country.

Estimates of Crops

If one were to select a single development of the month as the most important indication of what the trend of business is likely to be during the fall, the choice would probably fall upon the announcement by the Department of Agriculture that the total value of the crops harvested in the United States this year is estimated to be $1,200,000,000 larger than in 1921. On the basis of the September 1 estimates of crop production and the current prices for farm products, the total value of every crop except wheat is computed to be larger than a year ago and the wheat crop is only $16,000,000 smaller. The figures are shown in the accompanying diagram published by the Federal Reserve Bank of New York.

To give a figure for the value of the total farm output in the United States it would be necessary to add an estimate for the value of live stock and dairy products. While no estimate is available for these products of the farm, it is practically certain that their value is larger this year than last.

The increased value of crops is due to two factors: a larger yield of the important crops and a slight increase in prices as compared with a year ago.

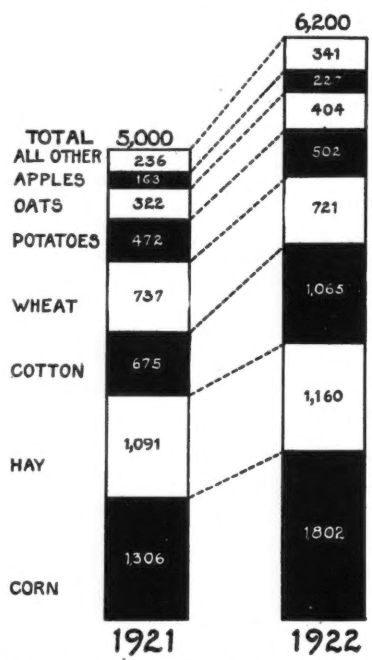
The September 1 estimates of the amounts of the year's principal crops are compared in the following table with last year's figures:

(In millions)

Crop	1922 Estimated Crop	1921 Final	1916-20 Average
Corn, bushels	2,875	3,081	2,831
Wheat, bushels	818	795	799
Cotton, bales	11	8	14
Potatoes, bushels	546	446	462
Tobacco, pounds	1,353	1,075	1,378
Apples, bushels	207	98	179
Barley, bushels	194	151	197

Purchasing Power of the Farmer

An increased return on crops does not necessarily mean that the farmer is better off. The cost of producing the crop and the price of those articles which the farmer must buy must also be considered.



Estimated Value of 1922 Crops Compared With 1921 Crops—In Millions of Dollars

The 1922 crop, however, has been produced at a comparatively low cost. This summer the average wage for common labor on the farm has been considerably lower than last year. The price of automobiles, gasoline and of many types of implements is markedly lower.

As far as the farmer's living expenses go there is no accurate computation available which shows all of the items. The index number of the cost of living for a wage earner, computed by the National Industrial Conference Board, however, shows that the cost of clothing is about 4 per cent less than a year ago, and the cost of sundries, 6 per cent less.

The available evidence seems to indicate that the returns from this year's crops will go far toward correcting the economic maladjustments which in the preceding two years made the farmer's situation peculiarly difficult. The rural districts have been the slowest to liquidate their bank loans. Trade in those districts has for two years been greatly restricted. The return toward normal in the purchasing power of rural communities will be a powerful factor toward the restoration of normal business conditions throughout the country.

Production

Reports which are now becoming available for production in basic industries in the United States during the period of the coal strike bear out the view that in the main basic production was but little affected by the strikes. Cotton consumption, sugar meltings, lumber production, tin deliveries, and copper production were in better volume in August than in July. Iron and steel production was most seriously affected by the strike, but since its termination has rapidly been returning to a more normal rate of operation. The majority of the blast furnaces which ceased operation in July and August have been blown in again.

Cotton Consumption and Exports

The consumption of cotton by domestic mills in August amounted to 527,000 bales, exclusive of linters, compared with 476,000 bales in August last year. August consumption was the largest of any month since June 1920. Cotton exports, however, were 150,000 bales less than in August, last year and were the smallest of any month since September, 1920. Exports to Germany were half as large as one year ago and those to Japan one quarter as large. European buying, both of cotton and grain, is reported to be unusually slow this fall.

Motor Car Output

The production of motor cars for August is estimated at the high figure of 265,000 machines, as compared with 181,000 in August 1921. The record year for the production of motor cars was in 1920 when the figure of 2,205,000 cars and trucks was reached. Since production for 8 months of 1922 is already in the neighborhood of 1,650,000, it is entirely possible that a new high record will be reached.

Who Buys Automobiles

The record output of automobiles has been difficult to explain in view of the fact that in almost every line the volume of business has been for many months under normal. For this reason an analysis, made by the Cleveland Trust Company of the records of a concern financing purchases of automobiles bought on instalments is of interest:

"Using round numbers, and taking into account the records of the past three

years, the data shows that the typical purchaser may be described as follows:

He is a married man, 33 years old.
He has a bank account and carries life insurance.
He buys a $1,400 car and pays $700 down.
He pays the balance at the rate of $100 a month.
His monthly income is $350.
He owns real estate in which his equity is $5,000.
He has personal property worth about $2,000.
This is not his first car.
He bought the previous car on the time payment plan.

"These facts regarding the typical purchaser go far toward explaining the ability of the country to absorb new cars this year at the rate of a quarter of a million a month, of which about half are of makes more expensive than Fords. The clearly evident fact is that the passenger automobile has become so important a factor in American life that thousands of families of moderate means are entirely willing to make serious sacrifices of other things in order to be able to possess them."

Wage Increases

In the past month the wage increase of 20 per cent put into effect by the United States Steel Corporation has been followed by similar increases, in the wages of common labor particularly, by a large number of industrial concerns. A computation of the number of wage increases and the number of wage reductions announced in newspapers shows that between August 15 and September 15, there were 119 increases announced and only 4 reductions, whereas in the preceding two or three months the number of increases and reductions had just about balanced each other. Employment agencies report a shortage of unskilled labor and certain groups of skilled workers, accompanied by wage increases. They do not report, however, any general increase in the wage level, and the scale for clerks and salaried workers appears to be still moving slightly downward.

Any careful comparison of wage rates with changes in retail prices makes it clear that the laboring man in general is better off than he was before the war. The average weekly earnings of workers in factories, as reported by the United States Department of Labor, are now practically double the pre-war figure, while various computations of the cost of living place that figure anywhere from 60 to 75 per cent above the pre-war level. Figures of this sort help to explain the large purchases of automobiles.

It is interesting to note that the Civil War had a precisely similar effect in raising the level of wages in relation to prices. After the war the decline in prices was much sharper and larger in amount than the decline in wages and the net result was a considerable increase in the purchasing power of the wage earner.

Factory Employment

Increases in wages have been an accompaniment of greater industrial activity and an increased demand for workers in industrial establishments, and in construction. An increase during August of 2.4 per cent in the number of workers in New York State factories may be taken as typical of recent gains. This increase is the largest for a single month since early in 1920, and places the number of persons employed in factories 13 per cent ahead of last year.

Prices

It would be natural to expect an increase in prices along with the industrial activity of the past few months and such an increase has been taking place, although the abundance of most crops has tended to keep prices of farm products down. The greatest increases

recently in wholesale prices have been in those groups of commodities most directly affected by strike conditions or by increased industrial activity. Quotations for coal, iron and steel, building materials, and cloths and clothing are all considerably higher than they were a year ago. Farm products are also higher as a result of a rise last spring, although recent movements of this group have been downward. The following table shows the group index numbers published by the U. S. Department of Labor.

(1913 = 100.)

	1921 August	1922 July	1922 August
Farm products	123	135	131
Foods	146	142	138
Cloths and clothing	171	180	181
Fuel and lighting	184	254	271
Metals and metal products	117	121	126
Building materials	156	170	172
Chemicals and drugs	129	121	122
House-furnishing goods	179	173	173
Miscellaneous	119	114	115
All commodities	142	155	155

Bank Transactions

A measure of the gain in industrial and business activity which has occurred in the country in the past year is found in the figures for bank clearings. Returns for 114 cities for the week ended September 16, show an increase over last year amounting to 12 per cent. It is interesting that this percentage increase is almost exactly the same as that shown by employment returns for factories.

The percentage change for groups of cities has been as follows:

Federal Reserve District		Per cent. change from 1921
Boston	10 cities	+17
New York	9 cities	+15
Philadelphia	9 cities	+ 7
Cleveland	7 cities	+15
Richmond	5 cities	+20
Atlanta	11 cities	− 2
Chicago	19 cities	+ 7
St. Louis	7 cities	+ 9
Minneapolis	7 cities	0
Kansas City	11 cities	−13
Dallas	5 cities	+28
San Francisco	14 cities	+16
Total	114 cities	+12

Postal Receipts

Another set of figures which measures general business activity in some such way as bank clearings do, but from a different angle, is the postal receipts of principal cities. The latest figures, for fifty selected cities for July, show an increase of 12 per cent. over July, 1921.

How Much Better is Business?

The figures which have been given in preceding paragraphs are in surprising agreement as to the amount of increase in the volume of business since a year ago. For convenience they are listed again.

Car Loadings	10 to 12 per cent. increase
Employment	13 per cent. increase
Bank clearings	12 per cent. increase
Postal receipts	12 per cent. increase

While these figures give only a partial view of the whole range of business and industrial activity they do furnish some justification for saying that business is roughly 10 per cent. better than a year ago.

Harris & Ewing

FRANK A. De GROOT

Appointed deputy register of the Treasury by President Harding. He fills the vacancy caused by the promotion of Harley V. Speelman

Changing Credit Conditions

Banking conditions and the money market are just now beginning to be affected by the increase in industrial and business activity which began a year ago. The impetus to liquidation given by a year of falling prices was so great that for many months the volume of credit which was released more than offset increased demands.

But in the past few weeks new borrowing has more than equaled the liquidation of old loans. Loans and discounts of banks have begun to increase after a decline of nearly two years. Open market interest rates on prime commercial paper have risen from 4 to 4¼ per cent. and rates on banker's acceptances from 3 to 3⅛ and then 3¼ per cent. Since July the note circulation of the Federal Reserve Banks has risen more than $100,000,000 and discounts and advances to member banks have risen about $40,000,000. While this change in direction of movement of different indices of credit conditions may be ascribed in part to seasonal demands for funds its origin lies more largely in the gradually increasing needs of business.

Foreign Financing

The easy credit conditions of the past few months have not only made possible the sale in this country of a large volume of domestic securities and the refunding of much of the government's short-dated war debt, but have also made this country a world financial center as never before. In an address before the Indiana Bankers Association, Controller of the Currency, D. R. Crissinger, gave out the following estimate of the contribution of the United States towards the financing of the outside world since 1914:

American securities repurchased from abroad	$ 3,000,000,000
American government loans	10,000,000,000
Interest on government loans	2,000,000,000
Commercial credits extended abroad	3,000,000,000
Dollar securities bought from foreign countries:	
1919	713,000,000
1920	571,000,000
1921	596,000,000
1922 (8 months)	751,000,000
Foreign-money securities sold here, 1919, 1920, 1921 and 1922	620,000,000
Foreign currencies bought by Americans	500,000,000
	$21,751,000,000

The striking feature of these estimates is the amount of private capital which has gone to foreign countries since the close of the war, an amount almost equal to the total loans of $10,000,000,000 made by the United States government to the allied nations during the war.

In years past, London has been the world's banker, but since the war, the amount of foreign securities floated in New York has been considerably larger than the amount floated in London.

The records of the past 4 months constitute an exception to this general statement. Both in London and New York, the volume of foreign financing since May was smaller than in the first 4 months of the year, but the decrease was more marked in New York and brought the total for the period just under the London total. The amounts of foreign financing in the two countries by four-month periods since January, 1921, are as follows:

(in millions of dollars)

	New York	London
January to April, 1921	145	128
May to August, 1921	239	125
September to December, 1921	310	215
January to April, 1922	521	281
May to August, 1922	214	231

The large amounts of foreign financing handled through the New York market in this period are an encouraging evidence of the financial capacity of this country. The ability of the London market, however, to carry such large amounts of financing on top of tremendous war burdens is perhaps the most remarkable feature of the table.

Following England

"Apparently the leaders of the small group that governs Japan came, some years ago, to the conclusion that the best means for solving their difficulties lay in turning Japan into an industrial country," says Julian Street. "They determined to manufacture goods, export them, and with the proceeds pay for imports of raw materials and food—in short, to adopt the plan which England began to follow nearly a century ago, and which Belgium has also followed. England's situation was in many respects like that of Japan, for there were certain essential raw materials which she did not have either at home or in her possessions; and like Japan she is unable to feed herself. With Belgium the situation was even worse than with England. Yet through industrializing themselves both countries have prospered greatly. Is it not then logical to suppose that by following a similar course Japan will likewise prosper?"

More Banking Aid for Farmers

Rulings of the Federal Reserve Board As to the Eligibility for Rediscount by Federal Reserve Banks of Paper of the Cooperative Marketing Associations—Grower's Draft on an Association Is Not a Trade Acceptance—Crop Carrying and Speculation

THROUGH the rulings of the Federal Reserve Board, a better line of credit has been made available to farmers.

These rulings have been made on the eligibility for rediscount at Federal Reserve Banks of paper arising out of the operation of cooperative marketing associations.

A general summary of these rulings follows:

Definition of Eligible Paper

The regulations of the Federal Reserve Board define eligible commercial and agricultural paper as notes, drafts or bills of exchange which has been issued or drawn or the proceeds of which have been used or are to be used in the first instance in producing, purchasing, carrying or marketing goods (including goods, wares, merchandise, agricultural products and live stock) in one or more of the steps of the process of production, manufacture or distribution.

If a note, draft or bill of exchange has been issued or drawn, or the proceeds have been or are to be used, for an agricultural purpose, that note, draft or bill of exchange may be eligible for rediscount if it has a maturity at the time of rediscount of not more than six months, exclusive of days of grace.

On the other hand, if a note, draft or bill of exchange has been issued or drawn or the proceeds have been or are to be used for a commercial purpose, it will not be eligible for rediscount if it has a maturity at the time of rediscount in excess of ninety days, exclusive of days of grace.

The Board's regulations further provide that no note, draft or bill of exchange is eligible for rediscount if the proceeds have been or are to be used for permanent or fixed investments of any kind, for any other capital purpose, for investments of a purely speculative character, or for the purpose of lending to some other borrower.

Classes of Associations

Each of the associations involved in the rulings heretofore made by the Board, of which this is merely a summary, was organized without capital and its members consisted exclusively of the producers of the particular crop which the association was organized to market who had agreed to sell and deliver their entire crops to the association.

The agreements provided in substance that title should pass to the association at the time of delivery, that the association should have absolute control over the commodities delivered and over the resale thereof, and that the association should have power to borrow money upon such commodities and to pledge the commodities for money borrowed. The price at which the commodities were sold by the growers to the association was not fixed at the time of that sale, but the commodities were pooled according to grades, and after all of a particular pool had been sold the proceeds were distributed pro rata among the producers who had contributed to that pool.

The conclusions stated in the rulings included in this summary, therefore, are not necessarily applicable to the paper of associations which operate on any plan substantially different from that just described.

Growers' Drafts

Where, at the time the growers deliver their crops to such an association, the association accepts drafts drawn upon it by the growers, such drafts are eligible for rediscount by Federal Reserve Banks as agricultural paper with maturities up to six months when discounted by the growers at their local banks with their own indorsements, provided the proceeds are used by the growers for agricultural purposes.

Grower's Draft Not Trade Acceptance

A draft drawn by a grower on an association to which he has delivered his crop, accepted by the association, and discounted by the grower at his bank is not, however, a trade acceptance within the meaning of the Board's regulations, which define a trade acceptance as "a draft or bill of exchange drawn by a seller on the purchaser of goods sold and accepted by such purchaser," because the delivery of a crop to a cooperative marketing association under an agreement such as that described in the second paragraph of this summary is not the kind of a sale which should be made the basis of a trade acceptance.

Trade acceptances, however, constitute merely a special class of eligible paper which sometimes bears a preferential discount rate, and the mere fact that such drafts are not included in that special class of eligible paper does not prevent them from being eligible for rediscount as agricultural or commercial paper if the proceeds are used for an agricultural or commercial purpose. As indicated in a preceding paragraph, growers' drafts accepted by associations may be eligible as agricultural paper if they are discounted by the growers at their local banks and the growers use the proceeds for agricultural purposes.

Carrying

Inasmuch as agricultural products should not be dumped upon the market as soon as harvested, but should be marketed gradually, the carrying of agricultural products for such periods as are reasonably necessary in order to assist the orderly marketing thereof is a proper step in the process of distribution, and a farmer's note which is drawn,

or the proceeds of which are used, to finance the carrying of the farmer's products for such reasonable period is a note which has been issued or drawn for an agricultural purpose within the meaning of Section 13 of the Federal Reserve Act and which may, therefore, be eligible for rediscount by Federal Reserve Banks.

Money borrowed by a grower to enable him to meet his obligations without selling his crop immediately, enables him to "carry" the crop, and, therefore, when a grower delivers his crop to a cooperative marketing association which is actually engaged in orderly marketing, and when the grower is obliged to borrow money for ordinary general purposes, such as the payment of obligations previously incurred in growing or harvesting the same crop, a draft drawn by the grower on the association for a part of the market value of the crop may properly be considered to be drawn for an agricultural purpose.

There is a distinction, however, between carrying agricultural products for such periods as are reasonably necessary to effect orderly marketing and mere speculative withholding from the market, in the hope ultimately of obtaining a higher price.

Such withholding is not an agricultural purpose within the meaning of Section 13, and if a marketing association should engage in such a speculative holding of a crop instead of marketing it in an orderly manner, drafts drawn to finance the growers of such a crop during the holding of it for speculation should not be considered to be drawn for an agricultural purpose.

The exact dividing line between legitimate carrying and speculative withholding is, of course, very difficult to define. The question of whether a doubtful case falls on one side or the other of this line is a question of fact which it is not for the Federal Reserve Board to determine, but which should be determined rather by the local bank whose customer desires the loan and by the Federal Reserve Bank if the paper representing the loan is offered for rediscount.

For Packing and Marketing

A note of a corporation or association engaged in performing services in connection with packing and marketing agricultural products not grown by the corporation or association itself, the proceeds of which note are used to pay the current expenses of such corporation or association, such as the payment of wages and the purchase of supplies in connection with its business of packing and marketing agricultural products, should not be classed as agricultural paper eligible for rediscount with a maturity up to six months, but should be classed as commercial paper which may be eligible with a maturity not in excess of ninety days.

While the note of a farmer the proceeds of which have been used to finance the packing or marketing of his own crop should be classed as agricultural paper, the same is not true of the note of a corporation or association engaged in performing services in packing and marketing agricultural products grown by others, because that is a commercial rather than an agricultural business, even though such corporation or association deals exclusively with growers.

Funds to Pay for Commodities

The notes of associations the proceeds of which have been or are to be used to make payments to the growers for commodities delivered to the association are eligible for rediscount by Federal Reserve Banks if they have maturities not in excess of ninety days and comply in other respects with all relevant provisions of law and the Board's regulations, because the proceeds are used for the commercial purpose of buying the commodities from the growers.

Drafts drawn by such associations are eligible for acceptance by mem-

ber banks when secured at the time of acceptance by warehouse receipts covering non-perishable agricultural commodities stored in independent warehouses, and after acceptance such drafts are eligible for rediscount by Federal Reserve Banks, provided they comply as to maturity and in all other respects with the provisions of the Federal Reserve Act and the Board's regulations.

The law requires that a warehouse receipt, in order to be the basis of an eligible bankers' acceptance, shall be a document "conveying or securing title covering readily marketable staples"; but inasmuch as by hypothesis associations of the kind under consideration take title to the agricultural products delivered to them and are given full control thereof with authority to borrow money upon them and to pledge them for money borrowed, it is clear that they can store such products in independent warehouses and obtain negotiable warehouse receipts conveying security title. The Board has indicated already the general principles to be applied by Federal Reserve Banks in determining under what circumstances warehouses are to be considered independent of the borrowers in passing upon bankers' acceptances, and the application of those principles to specific cases involves questions of fact which are primarily for the determination of the Federal Reserve Banks.

Numerous inquiries have been made as to the eligibility of paper created by such associations and secured by warehouse receipts for agricultural products stored in warehouses which, although they may be owned by the associations or by corporations organized and controlled by them, yet have independent management and organization.

Inasmuch as the eligibility of paper other than bankers' acceptances is not dependent upon the existence or character of collateral security, the question whether such paper of the association is technically eligible for rediscount is not dependent upon whether the warehouse issuing the receipt offered as collateral security is independent of the borrower.

The character of a warehouse receipt or other security offered as collateral for paper other than bankers' acceptances is material only as bearing upon the acceptability of the paper as distinguished from its eligibility, and the question of the acceptability is for the determination of the Federal Reserve Banks rather than the Federal Reserve Board. A preceding paragraph indicates the type of warehouse receipt that is required as the basis of an eligible bankers' acceptance.

It should be understood, of course, that even though a bill or note may technically be eligible for rediscount, a Federal Reserve Bank is under no obligation to rediscount it, but may accept it or refuse it in the exercise of its discretionary power.

TRUST COMPANY DIVISION

New Orleans Plan of Cooperative Advertising

By FRED W. ELLSWORTH

Vice-President, Hibernia Bank and Trust Company, New Orleans, La., and Member, Committee on Publicity, Trust Company Division, A. B. A.

Note: The Convention Program Committee invited Mr. Ellsworth to speak at the Trust Company Division meeting on October 5 in order to tell the delegates of the success in New Orleans through the use of the joint method in handling local advertising. Because of his inability to attend the New York Convention, he explains the plan in the following article.

ALTHOUGH trust company facilities have been used by the business and financial community for more than a century, there presently exists an appalling lack of information, an abundance of misinformation, and except among relatively few of our people, practically no accurate knowledge as to just what a trust company is, what functions it performs, and what part it plays in the general business program.

One naturally would think that the millions of bank and trust company customers who daily come into our banking institutions, ultimately would gain a more or less intimate and concrete knowledge of trust company functions. As a matter of fact, however, very few of them, to say nothing of the millions who never enter our doors, are familiar with the sundry forms of service which trust companies today offer to the public. Most of our customers are superficially acquainted with the one or more forms of service with which they have daily contact, but know nothing whatsoever about any of the others.

With these facts as a basis, the banks of New Orleans (and they all maintain active trust departments) some three years ago conceived the idea of establishing and maintaining a continuous joint campaign of informative advertising for the double purpose of familiarizing the people of New Orleans with the real value of intelligent and competent trust company service, and the rewards that come from the consistent practice of constructive thrift.

To put this purpose into practical operation a committee known as the "Associated Banks' Advertising Committee" was organized in May, 1919. This committee, which consists of one official from each of the participating banks, is charged with the job of preparing and publishing this continuous campaign of educational advertising.

Concretely, the plan operates as follows:

The Associated Banks' Advertising Committee meets every Tuesday at lunch, where are discussed (a) advertising copy, (b) general policy, (c) periodicals of questionable merit that have solicited advertising, (d) applications for donations and subscriptions from all conceivable kinds of organizations, legitimate and otherwise, and also peremptory "demands" for support from societies who suavely claim that they are entitled to donations merely because their treasurer does business with the bank.

The Chairman, Vice-Chairman and the Secretary of the Committee serve during good behavior. A complete record of each meeting is made by the Secretary, and a copy sent to each member. These records are lodged in the Advertising Departments of the respective banks so that the advertising managers will be constantly familiar with the policy and activities of the Committee, and thus prevent "clever" solicitors from "putting anything over" on them.

The arrangement that exists between the several banks is an informal one, and can be discontinued at any time, except, of course, insofar as the participating banks are jointly obligated on advertising contracts.

There is nothing in the "New Orleans Plan" that in any way interferes with the advertising policies of the various participating institutions; nor is the individuality of their advertising affected at all. Each of the banks conducts whatever individual advertising it may desire to, just as though no co-operative arrangement existed.

The schedule of advertising contemplates advertisements in the New Orleans dailies every business day in the year. The two subjects that predominate in this advertising are "trust service" and "thrift," and these subjects ordinarily alternate from day to day. Occasionally the copy carries warnings against get-rich-quick investments, and during the months of December and January, the advertisements are devoted almost exclusively to the subject of Christmas Savings Clubs. The copy and suggestions contained in the advertisements, bulletins, booklets and other helps issued by the Committee on Publicity, Trust Company Division, American Bankers Association, in connection with the National Publicity Campaign, are discussed and used by our committee as well as by separate trust companies in New Orleans.

The preparation of the advertisements is handled in turn by the Advertising Departments of each of the participating banks, and each bank handles the copy for two months at a time.

The Committee has made a very careful and thorough investigation of the circulation, prestige and other qualifications of the various trade, fraternal, religious and other periodicals published in the New Orleans territory, and as a result have selected the best, and are running joint advertising in these, following the same general plan as that employed with the daily press. When applications are received from other periodicals, they are investigated with the same care, and as a rule are either accepted or rejected unanimously, although any participating bank that desires to use any of such periodicals is at liberty to do so.

Unfortunately, for the general good of advertising as a business force, there are all kinds of "fake" and "graft" advertising propositions which the advertising manager is compelled to consider. It is also unfortunate that so many "good" citizens who are devoted to entirely worthy enterprises of public or semi-public or charitable nature, are so easily hoodwinked into endorsing and promoting so-called advertising schemes on behalf of those worthy causes. I refer, of course, to programs, year books, church papers, school and club periodicals, fraternal publications, catalogs, etc., etc.

One of the functions of the New Orleans Associated Banks' Advertising Committee is to painlessly, but effectually, decapitate these nuisances of the advertising field.

Every advertising manager knows how difficult it is sometimes to turn down applications for this gentle form of "graft." Under the New Orleans Plan the banks have succeeded in washing their hands clean. Every application for advertising, the value of which is at all doubtful, is required to be made in writing, and the member who receives it submits it to the Committee and here, after thorough investigation usually it is swiftly, but painlessly put to rest.

It is interesting to note in this connection that since the Committee was organized back in 1919, the number of these applications has steadily and materially decreased, so that today the banks are bothered very little.

Now the actual cost of the constructive advertising published by the Advertising Committee runs about $12,000 a year. Each bank pays its share of this cost based on the proportion that its deposits bear to the total deposits of all the banks. All bills are submitted to the bank handling the advertising for the current period, and this bank acts as a clearing house, makes the necessary adjustments, and submits the individual bills to the various banks.

Under the New Orleans Plan the banks are able to do more advertising at less cost. The reason for this is that practically all of the advertising expenditure that formerly was devoted to various forms of questionable advertising is now saved. As a matter of fact, the Committee's report to the joint banks for the twelve months ending December 31, 1921, exhibits a saving of $42,460 covering advertising which was declined during the year, practically all of which would have been used had not the banks gotten together for mutual protection.

The report of the committee also carries the following significant statement:

"From our experience during the past two years (the Committee having been appointed in May, 1919,) requests for advertising and contributions involving many thousands of dollars, which were formerly presented to the banks, are no longer presented, because it has become generally known that they will be summarily disapproved. Thus, in addition to saving considerable money, much time is saved as well."

Now as to results. Obviously it is almost impossible to trace direct results from trust company or savings bank advertising, and the banks that are cooperating in the New Orleans plan have not yet expected any substantial results, particularly to their trust departments, even though the campaign has been running for more than forty months. As a matter of fact, however, it is interesting to know that the trust business now being handled by the New Orleans banks is greater in volume than ever before in the history of the city, and the managers of our various trust departments report that business is daily coming to them from "off the street," and the only reason that they can give for it is the advertising which has been constantly running in the daily press. The savings departments of the banks also report the largest totals that they have ever enjoyed and the increase has been noticeable since this co-operative plan was inaugurated back in 1919.

To summarize: It is a fact that the average person, be he bank customer or not, knows little or nothing concerning the many ways in which a bank can be of

definite and valuable service to him. It is a fact also that the American people are free and easy spenders, and that the practice of constructive thrift in our country has not been adequately developed. Still further it is a fact that most people know little or nothing of fiduciary banking. Obviously, it is the duty of the bank, both from the standpoint of selfishness and from the standpoint of the general good, to spread among the people a knowledge of what the bank is, and what it does, and can do.

In operating the New Orleans plan of cooperative bank advertising, the banks of New Orleans believe that while inevitably they are helping themselves, they are, in a bigger and broader way, also performing a worth-while public service which will produce for the banks, for the business people, and for the community generally future dividends that never can be measured.

Insuring Insurance

A prominent feature of the National Publicity Campaign for Trust Companies is the advocating of enlarging estates through the purchase of insurance, made payable upon the death of the insured to a trust company as trustee.

To assure the proper management and investment of this money, purchasers of insurance are urged to have their policies made payable to a trust company as trustee, and then have a simple agreement, between the insured and the trust company, drawn by a lawyer in which it is clearly specified how the insurance money shall be distributed or invested.

This method of enlarging or even creating estates is described fully in a pamphlet entitled, "Your Wife and Your Insurance," which is being advertised by the Committee on Publicity in nationally circulating magazines and is being used throughout the country by the several hundred trust companies supporting this campaign.

Many millions of dollars of insurance money are paid each year to trust companies as executors and trustees and administered by them under wills. Any arguments offered against this practice should be met by statements which are so well known to trust company officials, illustrating the safeguards provided by the trust company and consequent benefit to one's family.

A new folder entitled "Your Wife and Your Estate" is being distributed by the Committee on Publicity to subscribers to this campaign.

New State Vice-Presidents

Since the publication of the names of State Vice-Presidents, Trust Company Division for 1922-23, in the August issue of the JOURNAL, notices have been received of elections in the following states:

Colorado—D. T. Stone, president U. S. Bank and Trust Company, Grand Junction.

Delaware—Charles H. Maull, director The Sussex Trust Company, Lewes.

District of Columbia—Edson B. Olds, treasurer Union Trust Company, Washington.

Idaho—Ramsey M. Walker, vice-president Wallace Bank and Trust Company, Wallace.

Indiana—A. E. Metzger, vice-president Fletcher Savings and Trust Company, Indianapolis.

Iowa—J. P. Kirby, president Provident Trust Company, Estherville.

Montana—T. O. Hammond, vice-president Montana Trust and Savings Bank, Helena.

Nevada—W. A. Shockley, vice-president and manager, Scheeline Banking and Trust Company, Reno.

Oregon—E. H. Geary, vice-president Security Savings and Trust Company, Portland.

Vermont—George M. Bessette, president Burlington Trust Company, Burlington.

West Virginia—H. E. Laupp, trust officer Dollar Savings and Trust Company, Wheeling.

Wyoming—S. B. Cochran, cashier and secretary Wyoming Loan and Trust Company, Buffalo.

SAVINGS BANK DIVISION

British Savings Banks

Preliminary figures from the Inspection Committee of the trustee savings banks in Great Britain and Ireland are as follows for other than special investment departments:

Number of depositors	2,230,700
Deposits	£73,084,000
Invested funds	£72,995,200
Cash on hand	£1,244,900

The number of trustee savings banks on November 21, 1920, was 163 with 169 branches and 36 local agencies or receiving offices.

Cooperation by Local Druggists

Opening of savings accounts and the making of deposits by mail have been facilitated by the East New York Savings Bank of Brooklyn by cooperation with a considerable number of local druggists.

The banks supply the druggists with cheques for $5, $10, $25 and $50. Attached to the cheques is a stub which the depositor detaches for his receipt, writing name and address (and if possible the account number) on the cheque, which the depositor then mails to the bank in an addressed envelope supplied by the druggist and the bank acknowledges receipt by return mail.

The pass book is presented at any convenient time for entry of deposits, the deposits having been credited when the cheques were received.

To open a new account the druggist will supply a signature card to be filled out and mailed with the cheque, a pass book being sent by return mail.

There is no charge for the service and the druggist receives no compensation from the bank. The druggist is bonded and the cheques guaranteed by a surety company.

Data on School Savings

The third annual report of the Savings Bank Division on school savings banking systems throughout the country contains the more important figures from a total of 382 cities. This compares with 174 cities included in our last previous report. Pamphlet copies will be sent to any member bank.

By considering the detailed statements received in most cases from banks and comparing them with the honor roll which we printed last month and which will be reprinted in connection with this report, bankers will be able to follow suggestions contained in our "Monthly Business Text" in this issue and also to check the claims of salesmen and other advocates of particular systems.

New Publications

The Division office has reprinted for distribution to member banks two recent articles as follows:

"School Savings in Dayton," by H. H. Darst, president of the City National Bank, Dayton, Ohio.

Saving's Bank Division's

Monthly Business Text

VIII. Every school pupil a savings bank depositor.

Aim: To teach both (1) thrift in money matters and (2) economics of practical banking.

Plan: Obtain adoption by educational authorities of a "school project" involving a banking period with correlated instruction, and effective cooperation from bank depository.

Steps: Consult the descriptive and tabular reports of the Savings Bank Division (free to member banks) to determine method best adapted under local conditions to make every child a bank depositor to the full extent of his earning and saving capacity.

Study and compare accomplishments in the most successful installations, — success being measured by percentage of pupils who become bank depositors and their average annual net savings. "Pick a winner."

Visit as many operating schools as possible. Having selected a plan, consult the banks which have used it for at least two years and make satisfactory showing in Division reports.

The greater the preliminary investigation by the banker the greater will be his chances of avoiding the many causes of failure.

Remember: (1) Expense and hard work are the lot of the school savings depository; (2) child interest is no easier to hold than adult; (3) the project is strictly educational, therefore fails insofar as all pupils are not taught to safeguard and profit by banking their savings; (4) mere collection of currency is not "educational."

Take a broad view of the work, for the children's sake. Don't envy but cooperate if another bank is depository for a successful system.

The good of the next generation is the aim, not the money collected.

This article describes a successful effort to continue school savings banking work during the summer vacation by having the pupil tellers receive deposits from the children at the bank on the usual school banking day.

"Case Against Postal Savings," by M. Nadler.

We can supply typewritten copies of an intimate and detailed discussion on "How to Conduct an Employees' Savings Contest," by William J. Kelly of the Chicago Trust Company.

The Savings Bank Business

Wide publicity and much editorial comment has appeared since announcements by the Savings Bank Division of the facts that there are more savings accounts than there are families in the United States and that about one-half of the entire aggregate of all bank deposits are savings deposits.

The tables which support these conclusions, and also a printed discussion of the subject by Deputy Manager Woodworth, are now available in bulletin form for distribution to member banks.

Treasury Savings Certificates

The issue prices of Treasury Savings Certificates were increased on October 1 to $20.50 for the $25 certificate, $82 for the $100 certificate and $820 for the $1,000 certificate.

"At the new prices," Mr. Mellon said, "Treasury Savings Certificates will yield about 4 per cent. compounded semi-annually if held to maturity and about 3 per cent. simple interest if redeemed before maturity."

Competition for Savings

A speaker before the annual meeting of the Association of Mutual Savings Banks in Massachusetts is reported to have said that the competitors of the mutual savings banks have a right to do anything which those banks leave undone.

Is not this mere "half" truth?

The competitors of the mutual banks have a right to attempt *every* plan which those banks adopt, with minor exceptions specified in the state laws.

If so, it remains not only for the mutual savings institutions to extend their services, but also to improve and strengthen their present facilities.

It is a broad and open field in which the mutual savings banks still have great legal and moral advantages, but in which they are protected no more from the attacks of other banking institutions than from the carefully planned results of the distributors of real estate and securities.

"Contract Loan" Condemned

A resolution was adopted at the twenty-first annual convention of the National Association of Supervisors of

State Banks, Detroit, July 21, following a debate between an exponent of the contract loan system and Messrs. Charles McKee, State Bank Commissioner of Arkansas, and Will G. Akers, as follows:

"*Be it Resolved,* That it is the sense of the members of this association that the public should be and hereby is warned against the purchase of that class of contract commonly referred to as 3 per cent. loan contracts. We believe that this form of contract is productive of unjust inequalities among contract purchasers and, in many cases, of absolute fraud."

School Savings Approved

Resolutions of the Georgia Bankers Association, 1922, on school savings:

"*Resolved,* That the association goes on record as indorsing most heartily the efforts being made by the American Bankers Association to encourage thrift among the children of our country with particular reference to the establishment of savings systems in the schools. We urge that this matter be given thoughtful consideration and we recommend that the children of our schools be encouraged in habits of thrift, that they be made familiar with the fundamentals of sound business procedure, and that every effort possible be made to impress on them the necessity for preparing themselves for the responsibilities that will soon devolve upon them. In this work we urge that no artificial stimulus be used. No incentive that is not in keeping with sound business practice. We feel that a great unjustice would be done them should children be induced to save by offering payment of interest at rates higher than those usually paid adult depositors—or if any steps be taken that would create an unsound impression in the minds of these our future citizens."

The Colorado Bankers Association, at their July convention, listened to an interesting discussion on "Thrift in the Public Schools," by a representative of the Colorado Parent-Teachers Association. The following resolution was adopted:

"*Whereas,* The State Board of the Parent-Teachers Association is endeavoring to promote a movement among the pupils of our public schools having as their object the instilling of the thrift and savings habit on the minds of the young, now, therefore,

"*Be It Resolved,* That we urge upon our members that it is their duty to contribute to this splendid movement, both morally and financially."

Savings Deposits in France

The number and amount of savings accounts in the savings banks of France are reported as follows, by Charles D. Westcott, Economic Consul at Paris, for January 1, 1922: Accounts, 15,738,000; deposits, 8,149,000,000 francs; population, 39,000,000. On the same day in 1914 there were 15,066,000 accounts amounting to 5,829,000,000 francs.

Pupils Solicit Bank Accounts

The East New York Savings Bank of Brooklyn established a vacation contest among the pupils participating in its school savings banking system.

Each new account was accompanied by a credit card showing the name of the pupil who induced the depositor to open the account, each such card showing that the pupil is entitled to 25 cents and also credit towards the awards and prizes, deposits of $25 or over creating two credits and of $50 or over four credits. Also a three months' subscription to the official magazine of the "Boy Scouts" is sent to those who obtain three new depositors and a full year's subscription to those obtaining ten or more depositors.

September
Monthly Tendency in Savings Deposits

Federal District	Number Banks Reporting	Savings Deposits Sept. 1, 1922 Millions	Savings Deposits Aug. 1, 1922 Millions	Per Cent. Increase Over Last Month	Savings Deposits Sept. 1, 1921 Millions	Per Cent. Increase Over Last Year
1	64	1,104	1.9	1,102	1,061	4.0
2	30	1,728	—2.5	1,728	1,654	4.4
3	80	422	—4.3	423	412	2.3
4	18	380	7.0	377	381	—1.1
5	93	269	— .06	269	245	9.8
6	82	163	—2.0	162	156	4.3
7	219	778	3.8	776	768	1.4
8	37	116	1.7	114	103	1.2
9	15	79	1.0	79	79	.02
10	61	87	—3.1	87	80	8.3
11	112	72	2.0	71	64	12.9
12	75	772	—6.9	766	711	8.5
	886	5,975	1.4	5,961	5,718	4.4

Uniform Method for Calculating Interest

By W. F. AUGUSTINE
Vice-President Merchants National Bank, Richmond, Va.

THERE have been in recent years many attempts on the part of those interested in banking to standardize, so far as possible, the various practices of their business. These attempts have been very helpful in bringing about reforms which have been beneficial to the science of banking. No effort, however, has been made to standardize the method of calculating interest on deposit accounts maintained with banks by individuals, firms, corporations or other banking institutions.

In order to approach this subject in a proper manner, one should first consider the fact there is a growing tendency on the part of depositors to demand interest on accounts which are subject to their check. Banks also in soliciting business have agreed, as an inducement, to pay interest on such balances.

Without considering the efforts made during the latter part of the eighteenth century and the early part of the nineteenth century to bring about in the United States a standard form of banking under one system, and commencing our discussion at the time of the passage of the National Bank Act, which was approved June 3, 1864, we find that this act provided that there should be three Central reserve cities, viz.: New York, Chicago and St. Louis, and, in addition to these, over fifty other cities scattered throughout the United States which were to be known as reserve cities. Banks located in cities other than Central reserve or reserve cities were known as country banks, although a large number of these cities were municipalities of the first class.

A large portion of the reserves of the country, under the National Bank Act, was held in the Central reserve cities, as it was obligatory that the reserve cities keep a large part of their reserves in the Central reserve cities. The country banks, although they were not obliged to do so, carried large accounts in the Central reserve as well as the reserve cities.

While there was no national law which made it obligatory for state institutions to maintain reserves in either Central reserve or reserve cities, these banks also maintained their reserves to a large extent in the same manner as did the banks in the National Banking System. It will be noted therefore a large proportion of the reserves of both national and state banks, either directly or indirectly, flowed into these reserve reservoirs.

In order to induce surplus deposits over and above the legal requirements, banks in both Central reserve and reserve cities, in the solicitation of business, offered as an inducement interest on deposit accounts subject to check. It was not the practice in those early days to make allowance for the time required to collect checks received, as in many instances their arrangement with the bank maintaining the account permitted them to charge against it checks received in the usual course of business, and it was customary to figure that the interest saved by this method offset the loss of interest on items received for collection.

During the years which intervened between the passage of the National Bank Act and the installation of the Federal Reserve System there was no standard fixed by which one bank could determine the time required by another institution to collect items deposited with it. Each bank had individual arrangements differing in so far as its relations with its correspondents differed. The Federal Reserve System has standardized the time necessary for the collection of checks and it is now possible for every bank—whether a member of the Federal Reserve System or not—to standardize with mathematical exactness the time required to collect checks deposited by its customers.

The writer refrains from any discussion as to whether the payment of interest on balances subject to check is theoretically sound, except to mention that, in his judgment, no interest would have been paid had it not been for strong competition.

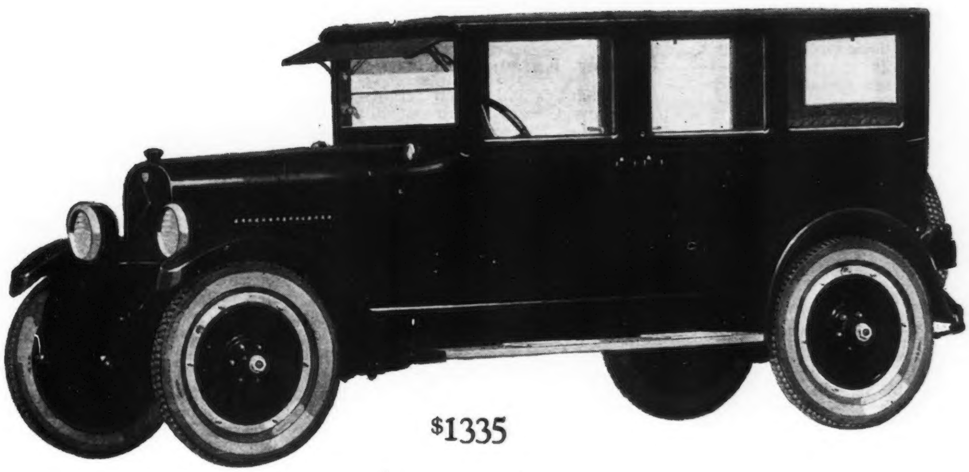
Many of the ills of banking have been brought about in this manner, and in some instances unscientific competition has resulted in unsatisfactory conditions which have taken years to overcome. For example, the so-called exchange problem.

If the various clearing houses in the United States were to standardize the method of calculating interest, in so far as bringing into consideration items in process of collection or the so-called float—using the schedule of the Federal Reserve Bank of their district as a basis—great benefits would accrue to their members and a great saving would be made by those banks which still pay interest on book balances, or which, in calculating interest, average the outstanding time on checks deposited for collection instead of calculating the actual time for the collection of each check deposited.

The uniform interest rule of the Clearing House Association of Richmond, which reads as follows, could be adopted and this would result in the elimination of a considerable amount of unscientific competition throughout the United States:

> "In paying interest on balances, member banks and those banks collecting or clearing through members, shall make deduction from book balances not less than the deferred credit schedule furnished by the Federal Reserve Bank of Richmond to the banking institutions of the city of Richmond, and shall pay interest only on the net balances derived thereby."

Of course, it would be necessary to change this rule to conform with local conditions. In some of the Federal Reserve districts—centers of which districts are only one or two hundred miles apart—there are different methods of calculating interest, and this has brought about disputes between banks maintaining accounts in more than one center. These institutions gain the wrong impression from one center, feeling that they are too grasping, while the other center, which is brought into the argument, is considered by its correspondent bank as being too lenient.



NATIONAL BANK DIVISION

National Bank Circulation Bonds

THE section of the Federal Reserve Act providing for the retirement of national bank circulation prior to 1935 was enacted evidently with the thought that the advent of the Federal reserve notes and the Federal reserve bank notes would make the national bank notes unnecessary and perhaps even undesirable. Actual happenings since that time, however, have not confirmed that belief. The national bank circulation outstanding in 1913 was $727,790,000. In the following year it reached the highest mark ever attained, there being $848,870,000 in circulation at that time. The lowest figure was touched in 1916 when it was $665,000,000. On June 30 of this year the national bank circulation amounted to $725,748,000, indicating that the volume had not been reduced, though the amount per bank is somewhat less because of an increase of 747 in the number of banks. In 1913 there were 7,514 national banks, while in August, 1922, the number was 8,261.

The approach of the year 1925, at which time the 4 per cent. bonds now eligible to secure circulation will mature, makes important the question of what provision will be made for the continuation of national bank currency in whatever volume may be in circulation at that time. At present the total of the bonds available to secure national bank notes is $793,115,000. This is divided as follows: Consols of 1930, bearing 2 per cent., $599,724,000; Panamas maturing in 1936, yielding 2 per cent. interest, $48,854,000; Panamas maturing in 1938 and bearing 2 per cent. interest, $25,947,000, and 4 per cent. bonds of 1925 amounting to $118,489,000.

About 92 per cent. of all the bonds available for this purpose are now deposited to secure circulation. The withdrawal of the entire series of 1925 would leave for this purpose only $675,000,000, or approximately $50,000,000 less than the circulation outstanding. Whether these securities will be funded to a later date and continue vested with the circulation privilege is something that must be determined in the meantime. This is not in any sense a momentous question, for similar ones have arisen a number of times before, but there is involved the matter of continuing the circulation of national bank notes. The fact that the volume has not been reduced since authority therefor was given, is indicative of the general feeling that they should not be retired compulsorily. The capital of all national banks amounts to approximately $1,300,000,000, which is the maximum of currency that could be issued. Thus it is seen that about 55 per cent. of the possible amount is in circulation, and this long established and solidly grounded system of currency should be continued intact.

Charter Extension Certificates

The charters bill which recently was passed by Congress automatically extended the charters of all existing national banks to June 30, 2021. No proclamation from any administrative officer is necessary to give effect to the terms of the law. However, the Comptroller of the Currency conceived the thought that banks might like to have some definite official statement, and with this in mind he is preparing engraved certificates for all banks. They recite the terms of the new law and officially declare that under its provisions the charter of the recipient bank was so extended. The Comptroller is signing all of these certificates which also bear the imprint of the seal of his office.

Preparation of these documents is slow work, but as rapidly as they can be completed they are being distributed.

Vice-President Head Returns from Europe

Walter W. Head, vice-president of the American Bankers Association and former president of the National Bank Division, recently returned from a trip abroad, where he attended the international conference of Boy Scouts of America which was held in Paris late in July. In speaking of present conditions in European countries, Mr. Head stated that the problem of greatly depreciated currency which several of the continental countries have to contend with will preclude a material improvement from an economic standpoint until currency conditions can be more satisfactorily adjusted.

Mr. Head visited a number of countries, including Austria, Germany, Belgium, France, Switzerland, Holland, Czecho-Slovakia and the British Isles, and expresses the opinion that England has not only made a more rapid recovery than other countries since the war, but the appreciation of her currency has continued until it possesses now but little less than its pre-war value. He spoke of the historic and intensified hatred existing between the French and the Germans and expressed the belief that another conflict between these two countries is unavoidable if something is not done to abate that feeling and improve the conditions under which the citizens of both countries are living. Even though the citizens of this country may feel themselves afflicted by strikes and labor trouble, yet, in the words of Mr. Head, "our troubles pale into insignificance when compared to the problems which confront the European nations, and for the benefit of those who have not visited Europe let me unhesitatingly state that we should be grateful indeed for the fact that we are Americans and live in America."

Comptrollers Calls

During the closing days of the recently adjourned session of Congress the bill to require the Comptroller of the Currency to issue but three calls for bank statements each year, instead of five, as now directed by law, was advanced one more step toward enactment. It was reported favorably to the Senate from the committe to which it was referred, and is now on the Senate calendar to be called up at any time. Previously it passed the House and its nearness to completion now sustains the hope that early in the next session it will be written into the law.

The First National Bank of Richmond and the Richmond Savings Bank, with combined resources of more than $2,800,000, Charles J. Crary president, have passed into the banking family of the Mercantile Trust Company of San Francisco and will henceforth be known as the Mercantile's Richmond Branch. Mr. Crary becomes a vice-president of the Mercantile Trust Company and will continue in charge of the Richmond branch, the personnel of the two merged banks remaining undisturbed. Larkin J. Younce becomes vice-president and assistant manager. The First National Bank of Richmond was established by Mr. Crary soon after his graduation from Stanford University in 1910 and under his management proved a success from the start.

Allard Smith Joins Trust Co. Publicity Committee

Evans Woollen, Chairman of the Executive Committee of the Trust Company Division, has appointed Allard Smith, vice-president Union Trust Company, Cleveland, Ohio, as a member of the Committee on Publicity of the Trust Company Division to succeed G. Prather Knapp, former publicity manager of the Mississippi Valley Trust Company, St. Louis, Mo., who resigned from membership upon the committee some time ago.

STATE BANK DIVISION

State Banks and the Federal Reserve System

What foundation is there for the statement that state-chartered banking institutions are withdrawing their membership in the Federal Reserve System? According to official records, 1,848 state banks and trust companies have joined the Federal Reserve System since its inauguration and only forty-three have voluntarily withdrawn. The following tabulation shows the number of state banks and trust companies in the Federal Reserve System each year from December 31, 1914, to June 30, 1922, inclusive, together with their resources in respective years enumerated, in thousands of dollars:

End of the Year	Number of Banks	Resources ($1,000's)
Dec. 31, 1914......	8	92,608
Dec. 31, 1915......	31	279,640
Dec. 27, 1916......	37	464,279
Dec. 31, 1917......	250	5,013,885
Dec. 31, 1918......	930	7,482,113
Dec. 31, 1919......	1,181	9,913,707
Dec. 29, 1920......	1,481	10,408,070
Dec. 31, 1921......	1,614	10,178,912
June 30, 1922......	1,648	11,026,082

The fact that the resources of state-chartered members of the Federal Reserve System now amount to over eleven billion dollars speaks for itself.

Division State Vice-Presidents

FOLLOWING is a list of State Vice-Presidents of the State Bank Division elected since the annual convention of the American Bankers Association at Los Angeles last year:

Alabama—John J. Flowers, vice-president Dothan Bank and Trust Company, Dothan.

Arizona—A. T. Esgate, cashier Valley Bank, Phoenix.

Arkansas—J. A. Mott, president Peoples Bank, Blytheville.

California—L. G. Bradley, vice-president Southern Trust and Commerce Bank, San Diego.

Colorado—R. H. Bailey, American Bank and Trust Company, Denver.

Connecticut—W. H. Rowley, Cashier United States Bank, Hartford.

Delaware—Hon. George L. Medill, State Bank Commissioner, Dover.

District of Columbia—Maurice Otterback, president Anacostia Bank, Anacostia, P. O., Washington.

Florida—Forrest Lake, President Seminole County Bank, Sanford.

Georgia—J. E. Hall, vice-president Bank of Soperton, Soperton.

Idaho—Ramsay M. Walker, vice-president Wallace Bank and Trust Company, Wallace.

Illinois—O. F. Anderson, cashier Moline Trust and Savings Bank, Moline.

Indiana—Hugo C. Rothert, president Huntingburg Bank, Huntingburg.

Iowa—A. F. Balch, president Marshalltown State Bank, Marshalltown.

Kansas—Bert E. Mitchner, cashier State Exchange Bank, Hutchison.

Kentucky—Ben Grogan, cashier Bank of Murray, Murray.

Louisiana—Emile Regard, president Central Bank and Trust Company, Mansura.

Maine—Geo. A. Safford, secretary-treasurer Hallowell Trust and Banking Company, Hallowell.

Maryland—Webster Bell, president Park Bank, Baltimore.

Michigan—H. A. Morris, cashier First State Savings Bank, Muskegon Heights.

Minnesota—Frank Gross, president North American Bank, Minneapolis.

Mississippi—Leo W. Seal, cashier Hancock County Bank, Bay St. Louis.

Missouri—J. W. Atterbury, Jr., president Madison Bank, Madison.

Montana—Theo. Torbenson, president Bank of Commerce, Kalispell.

Nevada—G. F. Willis, cashier Lyon County Bank, Yerington.

New Hampshire—J. Q. A. Wentworth, cashier Salmon Falls Bank, Salmon Falls.

New Jersey—Joseph Parr, president Claremont Bank, Jersey City.

New Mexico—H. L. Boyd, cashier Citizens State Bank, Mills.

New York—W. J. Simpson, president Genesee Valley Trust Company, Rochester.

North Carolina—T. E. Bobbitt, cashier Citizens Bank, Wake Forest.

North Dakota—T. L. Beiseker, president Wells County State Bank, Fessenden.

Ohio—W. R. Meyers, vice-president Geo. D. Harter Bank, Canton.

Oklahoma—D. P. Richardson, president Bank of Union, Union.

Oregon—A. K. Parker, cashier Enterprise State Bank, Enterprise.

Pennsylvania—Samuel Marshall, cashier Dime Savings Bank of Chester County, West Chester.

Rhode Island—Henry A. Grimwood, president High Street Bank, Providence.

South Carolina—T. S. Bannister, cashier Carolina Savings Bank, Anderson.

South Dakota—Fred R. Smith, cashier Farmers State Bank, Platte.

Tennessee—Walter McCoy, vice-president Mechanics Bank and Trust Company, Knoxville.

Texas—Thomas E. Mathis, vice-president Central Trust Company, San Antonio.

Utah—A. P. Bigelow, cashier Ogden State Bank, Ogden.

Vermont—A. H. Chandler, treasurer Bellows Falls Trust Company, Bellows Falls.

Virginia—H. M. Holland, cashier Farmers Bank of Nansemond, Suffolk.

Washington—R. B. Field, vice-president Leavenworth State Bank, Leavenworth.

West Virginia—James A. Sigafoose, cashier Marshall County Bank, Moundsville.

Wisconsin—W. A. von Berg, cashier State Bank of Mosinee, Mosinee.

Wyoming—H. J. Hall, cashier Basin State Bank, Basin.

Bank Ownership

Bank Supervisor John P. Duke of the State of Washington recently made an analysis of the ownership of banks under his jurisdiction. He says that housewives own more bank stock in Washington than capitalists, and doctors own more stock than brokers. Many stockholders come from other walks in life. A large number are farmers. Bankers are credited with holding 45,206 shares of stock in the state banks, according to this report. The next largest owners of bank stock are the farmers, who own 13,178 shares, representing a par value of nearly $1,250,000. Merchants come next, with 10,692 shares, closely followed by the women, who represent 10,586 shares. Men who have retired from active work are credited with 8,331 shares. Farmers are largely represented in this class.

Eligibility for Rediscount

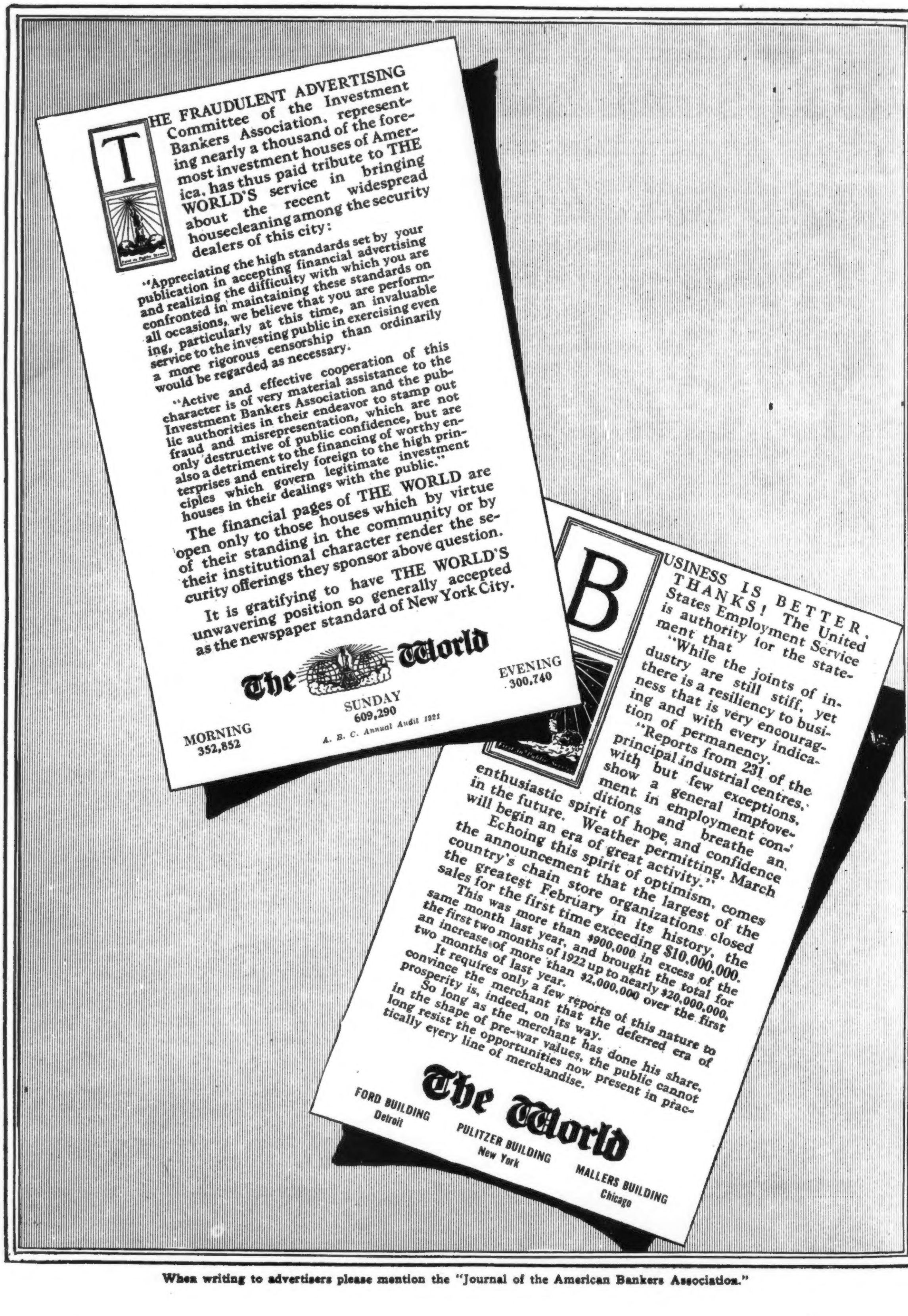
A New Mexican banker writes:

"There seems to be a line, much too fine, drawn on certain industries as to eligibility of their paper for rediscount by Federal Reserve Banks. I have in mind the laundry and contracting industries. These two we have come in contact with, and there might be more of different lines subject to the same discrimination. Both laundries and contractors make use of manufactured products from concerns whose paper is eligible, and such advance of credit they may receive is for the direct purpose of carrying on their respective lines of business. There might be a reason of which I am not aware, but it seems that any legitimate industry is entitled to have its paper termed eligible, based, of course, on a sufficient showing of assets."

New Bank Commissioners

John B. Byrne of Putnam, Conn., formerly bank examiner, has been appointed State Bank Commissioner by Governor Lake. Mr. Byrne is thirty-six years old and is one of the youngest men to receive this post.

Following the resignation of Hon. Ed. Hall as Commissioner of Banking and Insurance of Texas, Hon. J. L. Chapman was appointed to fill that position. Mr. Chapman was formerly cashier of the Central State Bank of McKinney.


THE FRAUDULENT ADVERTISING Committee of the Investment Bankers Association, representing nearly a thousand of the foremost investment houses of America, has thus paid tribute to THE WORLD'S service in bringing about the recent widespread housecleaning among the security dealers of this city:
"Appreciating the high standards set by your publication in accepting financial advertising and realizing the difficulty with which you are confronted in maintaining these standards on all occasions, we believe that you are performing, particularly at this time, an invaluable service to the investing public in exercising even a more rigorous censorship than ordinarily would be regarded as necessary.
"Active and effective cooperation of this character is of very material assistance to the Investment Bankers Association and the public authorities in their endeavor to stamp out fraud and misrepresentation, which are not only destructive of public confidence, but are also a detriment to the financing of worthy enterprises and entirely foreign to the high principles which govern legitimate investment houses in their dealings with the public."
The financial pages of THE WORLD are open only to those houses which by virtue of their standing in the community or by their institutional character render the security offerings they sponsor above question.
It is gratifying to have THE WORLD'S unwavering position so generally accepted as the newspaper standard of New York City.
The World
MORNING 352,852
SUNDAY 609,290
EVENING 300,740
A. B. C. Annual Audit 1921
BUSINESS IS BETTER, THANKS! The United States Employment Service is authority for the statement that
"While the joints of industry are still stiff, yet there is a resiliency to business that is very encouraging and with every indication of permanency.
"Reports from 231 of the principal industrial centres, with but few exceptions, show a general improvement in employment conditions and breathe an enthusiastic spirit of hope and confidence in the future. Weather permitting, March will begin an era of great activity."
Echoing this spirit of optimism, comes the announcement that the largest of the country's chain store organizations closed the greatest February in its history, the sales for the first time exceeding $10,000,000.
This was more than $900,000 in excess of the same month last year, and brought the total for the first two months of 1922 up to nearly $20,000,000, an increase of more than $2,000,000 over the first two months of last year.
It requires only a few reports of this nature to convince the merchant that the deferred era of prosperity is, indeed, on its way.
So long as the merchant has done his share, in the shape of pre-war values, the public cannot long resist the opportunities now present in practically every line of merchandise.
The World
FORD BUILDING Detroit
PULITZER BUILDING New York
MALLERS BUILDING Chicago

New Banks Organized

ALABAMA

Alabama City—Alabama City Bank. President, C. B. Forman; cashier, G. Brown.

Birmingham — Federated Bank and Trust Company. Capital, $50,000. Cashier, S. B. Wilson.

ARIZONA

Phoenix—Guaranty Trust Company.

ARKANSAS

Lamar—The First National Bank. Capital, $25,000. President, J. W. Hawkins; cashier, Ike Hawkins.

CALIFORNIA

Glendale—Commercial and Savings Bank. Capital, $25,000.

Johannesburg—First Bank of Johannesburg. Capital, $25,000.

Laguna Beach—Commercial and Savings Bank. Capital, $25,000.

Los Angeles — West Adams State Bank. Capital, $25,000.

Los Angeles—West Side State Bank. Capital, $25,000.

Pasadena—Commercial Bank of Pasadena. Capital, $100,000.

Redondo Beach—Commercial and Savings Bank. Capital, $50,000.

San Antonio Township — Whittier Boulevard State Bank. Capital, $25,000.

Seal Beach—California State Bank. Capital, $25,000.

Torrance—State Exchange Bank. Capital, $30,000. President, J. B. Hines; cashier, R. S. Huber.

Wilmington — Bank of Wilmington. Capital, $50,000.

CONNECTICUT

Bridgeport—City Industrial Bank.

Hartford—Bank of Central and South America. Capital, $5,000,000. Treasurer, Jacob Bloom.

FLORIDA

Gainesville—Florida Bank and Trust Company. (Succeeded Florida National Bank.) Capital, $250,000. President, T. J. Cone; cashier, C. S. Niblo.

Little River—Bank of Little River. Capital, $15,000. President, J. W. Spivey; cashier, John L. Grice.

Palm Beach—First State Bank. Capital, $25,000. President, Mr. Griffin; cashier, Mr. Donald.

Valparaiso—Valparaiso State Bank. Capital, $15,000. President, James E. Plew; cashier, J. H. Angle.

GEORGIA

Atlanta—Citizens and Southern Company. Capital, $200,000. President, Wm. Murphy; secretary, W. H. Sexton.

Macon — Georgia Banking Company. Capital, $50,000. President, W. E. Bozeman.

Richland—Georgia State Bank.

ILLINOIS

Chicago — Amalgamated Trust and Savings Bank. Capital, $200,000. President, R. L. Redheffer; cashier, Ralph S. Davis.

Chicago—Ashland Sixty-Third Street Bank. Capital, $200,000. President, Ernest A. Curtis; cashier, S. M. Dague.

Chicago—Cragin State Bank. Capital, $100,000. President, George S. Foster; cashier, H. H. Franzen.

Chicago—North Shore Trust and Savings Bank. Capital, $200,000.

Gillespie—Peoples State Bank. President, R. E. Long; cashier, W. E. Cavanaugh.

Kent—Kent State Bank. Capital, $50,000.

Smithton—First State Bank. Capital, $25,000. President, J. A. Miller; cashier, William Ullrich.

Sterling — Farmers and Merchants State Bank. Capital, $100,000.

INDIANA

Beech Grove—Citizens Bank of Beech Grove. Capital, $10,000.

Freedom—Citizens Bank.

Gynneville — Gynneville State Bank. Capital, $25,000. President, Charles S. Windoro; cashier, E. H. Bond.

Indianapolis—East Washington State Bank. Cashier, Norman Metzger.

Indianapolis—Roosevelt Avenue State Bank. Capital, $25,000. President, Evans Woollen; cashier, Edward Koenig.

Mooreland — Mooreland State Bank. Capital, $30,000.

Mt. Summit—Mt. Summit Bank. Capital, $25,000. President, Joseph P. Ice; cashier, C. E. Lamb.

Napanee—Farmers Loan and Trust Company. Capital, $25,000.

South Bend—River Park State Bank. Capital, $50,000.

Yorktown — Yorktown State Bank. Capital, $25,000. President, R. H. Curtis.

IOWA

Braddyville—Farmers and Merchants Bank. President, L. R. McClarnon; cashier, J. S. Bassigner.

Des Moines—East Side State Bank.

KANSAS

Lake City—First State Bank. Capital, $25,000. President, J. A. Simmons; cashier, Miss C. C. Groendycke.

Oswego—American State Bank. President, J. D. Brader; cashier, Frank Ferris.

KENTUCKY

Harlan—The Citizens National Bank. Capital, $100,000. President, C. E. Ball; cashier, G. G. Whitcomb.

Hazel—Farmers Bank. Capital, $15,000.

Hester—Hester Deposit Bank. Capital, $15,000.

Junction City—Citizens Bank. Capital, $15,000. President, W. E. McAnly; cashier, Vergil Popplewell.

Louisville—Southern Trust Company. Capital, $200,000. President, Casselberry Dunkerson.

Uniontown—Farmers Bank of Uniontown. Capital, $40,000.

Warsaw—Farmers State Bank. Capital, $25,000.

MARYLAND

Chestertown—Citizens Bank. Cashier, J. Frank Connelly.

Germantown—Germantown Bank.

MICHIGAN

Fowler—Peoples Banking Company. President, L. Sturgis; cashier, H. C. Miller.

Homer—Farmers and Merchants Bank. Capital, $50,000. President, Seth McAllister; cashier, H. P. Sherrard.

Lansing—Peoples State Savings Bank. President, W. E. McNamara; cashier, J. T. Mallett.

Springwells—Wayne County and Home Bank. President, Julius H. Haass; cashier, Wm. H. McClenahen.

MINNESOTA

Holt—Marshall County State Bank. Capital, $15,000.

Minneapolis—Produce State Bank.

Shakopee—Shakopee State Bank. Capital, $25,000.

MISSISSIPPI

Ripley—Peoples Bank. Capital, $15,000.

Tupelo—Citizens State Bank—President, T. L. Wilson.

MISSOURI

Blodgett — Citizens Bank. Capital, $10,000.

Franklin—Franklin State Bank. Capital, $12,000. President, R. E. Boon; cashier, F. A. Temple.

Hamilton—Citizens Trust Company. Capital, $50,000.

Kahoka—Farmers Trust Company. Capital, $50,000.

Mercer — Citizens Bank. Capital, $15,000.

Worland—Worland State Bank. Capital, $10,000.

NEBRASKA

Fremont — Union Trust Company. Capital, $50,000. President, Henry Tiegler; secretary, H. Beckman.

Homer—Homer State Bank. Capital, $25,000. President, H. C. Hansen; cashier, L. E. Cozad.

Newcastle — American State Bank. Cashier, J. E. Cryan.

Spencer—Spencer State Bank. Capital, $25,000. President, E. M. Baumann; cashier, A. B. Scannell.

NEW JERSEY

Collingswood — Collingswood Trust Company. Capital, $100,000.

East Orange—Ampere Bank. Capital, $100,000. Vice-president, Finley J. Shepherd.

Haddonfield—Haddonfield Trust Company. Secretary, Harry E. Richman.

Hawthorne—Peoples Bank. President, James Lappin; cashier, Harry S. Dobler.

Jersey City—Bergen Savings Bank.

NEW YORK

Germantown—The Germantown National Bank. Capital, $50,000. President, Robert R. Livingston; cashier, J. R. DuBois.

New York—Atlas Bank. Capital, $200,000. President, Henry C. Zaro; cashier, Harvey Connolly.

New York—Bank of New York. (Conversion of Bank of New York, National Banking Association.)

New York—Hais Immigrant Bank.

New Mexico

Taos—First State Bank of Taos. Capital, $25,000. President, A. Gusdorf; cashier, A. M. Richardson.

North Carolina

Asheville—The National Bank of Commerce. Capital, $100,000. President, J. G. Adams; cashier, Wm. M. Redwood.

Fairmont—Merchants and Farmers Bank. President, George H. Cole; cashier, R. H. Cuddington.

Greensboro—Greensboro Joint Stock Land Bank. Capital, $250,000.

Mockville—Southern Bank and Trust Company. Capital, $100,000. President, J. H. Hendrix; cashier, A. A. Holleman.

North Dakota

Bowdon—Security State Bank.

Crete—Bank of Crete. Capital, $15,000.

Haynes—First State Bank. Capital, $10,000. President, S. L. Allen; cashier, Charles Bigham.

Milton—Security State Bank. Capital, $15,000.

Sanish—Citizens State Bank. Capital, $15,000.

Ohio

Akron—Meade Central Bank. Capital, $15,000.

Carey—Commercial State Bank Company. Capital, $25,000.

Columbus—Brunson Savings Bank. Capital, $100,000.

Dayton—First Joint Stock Land Bank. Capital, $250,000. President, William G. Stroop; secretary, C. Kiefer.

Waverly—Waverly State Bank. President, L. G. Dill; cashier, W. V. Watts.

Oklahoma

Apperson—Bank of Apperson. Capital, $10,000.

Cheyenne—First National Bank. Capital, $25,000. President, S. Jackson; cashier, R. N. Higgins, Jr.

Clayton—Clayton State Bank. Capital, $10,000.

Kiefer—First National Bank. Capital, $25,000. President, F. Baskett; cashier, W. C. Lauer.

Wann—Bank of Wann. Capital, $10,000. President, J. M. Vincent; cashier, J. B. Banowitz.

Wilson—Producers State Bank. Capital, $25,000. President, B. F. Ward; cashier, C. R. Phillips.

Oregon

Oswego—Oswego State Bank. Capital, $15,000. President, John Bickner; cashier, Charles J. Sadilek.

Wheeler—Bank of Wheeler. Capital, $15,000.

Pennsylvania

Easton—Lafayette Trust Company. Secretary, Bart S. Reading.

Hatboro—Hatboro Trust Company.

Irwin—Irwin Savings and Trust Company. President, A. P. Cameron; secretary, F. D. Peoples.

Mahanoy City—American Banking and Trust Company. Capital, $125,000.

Olyphant—Miners Savings Bank. Capital, $100,000.

Philadelphia—Lawndale Bank and Trust Company. Capital, $125,000.

Reading—Kempton State Bank. Capital, $50,000.

Townville—Townville State Bank.

Wilkes-Barre—West Side Trust Company. Capital, $125,000. President, E. M. Ellsworth; secretary, W. H. Cocking.

South Carolina

Charleston—Central Bank. Capital, $50,000. President, J. Helper; cashier, C. L. Lohr.

South Dakota

Brookings—Midland Bank. Capital, $50,000. President, Edson A. Moon; cashier, Russell Shreeves.

Bushnell—Bushnell State Bank. Capital, $15,000. President, T. J. Flittie; cashier, F. F. Knutson.

Centerville—Security State Bank. Capital, $25,000. President, Louis Berven; cashier, John Heisler.

Garden City—Citizens State Bank. Capital, $25,000. President, J. A. McGillivray; cashier, M. J. McGillivray.

Tennessee

Chattanooga—Fidelity Trust Company. Capital, $50,000. President, Roland Olmsted; secretary, J. F. Crabtree.

Knoxville—Bankers Trust Company. Capital, $1,000,000.

Nashville—Fidelity Trust Company. Capital, $100,000.

Paris—First Trust and Savings Bank. Capital, $50,000. President, Charles E. Hastings; cashier, E. B. Jacobs.

TEXAS

Austin — University Bank. Capital, $15,000. President, Sam Sparks; cashier, M. C. Parrish.

Cisco—Commercial State Bank. Capital, $60,000.

Cooper—Delta Trust Company. Capital, $10,000.

Emporia—The Farmers State Bank. Capital, $30,000. President, W. M. Woods; cashier, F. A. Jamison.

Gary—Guaranty State Bank. Capital, $12,500.

Gustine—Guaranty State Bank. Capital, $25,000. President, J. M. Livingston; cashier, J. L. White.

VIRGINIA

Emporia—The Citizens National Bank. Capital, $180,000. President, H. W. Hall; cashier, W. T. Harding.

Radford — Peoples Bank. Capital, $25,000. President, J. L. Ingles; cashier, F. P. McConnell.

Richmond—Bank of Powhattan. Capital, $20,000. President, W. E. Maxey; cashier, H. P. Ferrel.

Richmond—Grace Street Bank and Trust Company. President, P. E. W. Goodwin.

Richmond—Guaranty Trust Co. Capital, $300,000.

Staunton — Shenandoah Valley Joint Stock Land Bank. Capital, $250,000.

WASHINGTON

Chesaw—Citizens State Bank.

Molson—Citizens State Bank. Capital, $15,000.

Spokane—Citizens State Bank. Capital, $15,000.

Yakima — The West Side National Bank. Capital, $100,000. President, H. Stanley Coffin; cashier, W. M. Buckles.

WEST VIRGINIA

Pickens—Bank of Pickens. Capital, $25,000.

WISCONSIN

Cudahy—Cudahy Mutual Savings Bank.

Madison—South Madison Bank. Capital, $25,000.

St. Francis—St. Francis State Bank. Capital, $50,000.

Railroad Thrift Club

Thrift club programs are reported to have been established in more than thirty towns on the Rock Island Lines under the auspices of the "Rock Island Magazine."

These thrift clubs are classified respectively as, first, for sons and daughters of employees who attend school and are not engaged in any regular profession or employment; second, wives of employees; third, employees.

A gold watch is offered as the prize in each class for the largest amount of savings deposited, provided deposits are made as often as semi-monthly and in the last two classes the savings must be from the wages received from the railroad. Official depositary banks are designated and may be required to certify to the correctness of the aggregate deposits reported.

Membership Changes

REPORTED FROM AUGUST 25, 1922, TO SEPTEMBER 25, 1922, INCLUSIVE

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

California	Bell	First National Bank purchased by Hellman Commercial Trust and Savings Bank.
	Berkeley	First Savings Bank of Oakland, Berkeley, Cal., succeeded by American Bank.
	Bishop	Owens Valley Bank liquidated.
	Glendale	First National Bank and First Savings Bank merged as Security Trust and Savings Bank.
	Huntington Park	Industrial Bank succeeded by Hellman Commercial Trust and Savings Bank.
	Redlands	Redlands National Bank and Union Savings Bank merged as Hellman Commercial Trust and Savings Bank.
	Vernon	Industrial Bank succeeded by Hellman Commercial Trust and Savings Bank.
Georgia	Atlanta	Atlanta Loan & Savings Co. changed to The Morris Plan Co. of Atlanta.
Illinois	White Hall	First National Bank and Peoples State Bank merged as Peoples First National Bank.
Indiana	New Castle	Farmers National Bank and First National Bank merged as Farmers and First National Bank.
Iowa	Estherville	Provident Savings Bank succeeded by Provident Trust Co.
Kentucky	Louisville	Lincoln Savings Bank and Trust Co. changed to Lincoln Bank and Trust Company.
Maryland	Baltimore	Second National Bank sold to Merchants National Bank and will be operated as Merchants National Bank, Broadway Office.
Massachusetts	Worcester	Park Trust Co. taken over by Merchants National Bank and will be operated as Merchants National Bank, Park Office.
Minnesota	Minneapolis	North Side State Bank merged with First National and will be operated as First National Bank, North Side Office.
	Minneapolis	South Side State Bank sold to Northwestern National Bank and will be operated as Northwestern National Bank, South Side Office.
	Minneapolis	St. Anthony Falls Bank merged with First National Bank and will be operated as First National Bank, St. Anthony Falls Office.
	Minneapolis	Lincoln National Bank taken over by Northwestern National Bank, Lincoln Office.
Missouri	St. Louis	Newmarket Bank succeeded by Missouri National Bank.
	St. Louis	Wm. R. Compton Investment Co. changed to Wm. R. Compton Co.
New Jersey	Passaic	Passaic National Bank and Passaic Trust and Safe Deposit Co. merged as Passaic National Bank and Trust Co.
New Mexico	Maxwell	Farmers and Merchants State Bank changed to Farmers State Bank.
New York	Brooklyn	North Side Branch and its Grand St. and Bushwick Branches merged with Manufacturers Trust Co. as its North Side, Grand St. and Bushwick Branches.
	New York	Carruthers, Pell & Co., 15 Broad St. changed to Sloane Pell & Co., 120 Broadway.
	New York	Potter Brothers and Co. succeeded by Potter & Co.
	Schuyler Lake	Taylor Kinne & Co., Bankers, changed to Citizens Banking Co.
	White Plains	Central Trust Co. of Westchester County succeeded by Westchester Title and Trust Co.
North Carolina	Columbia	Merchants and Farmers Bank and Tyrrell County Bank taken over by Carolina Banking and Trust Co., Branch.
	Wilmington	American Bank and Trust Co. converted into Commercial National Bank.
North Dakota	Columbus	First State Bank, Larson, North Dakota now First State Bank, Columbus, N. D.
Ohio	Delphos	National Bank of Delphos succeeded by Old National Bank.
	Findlay	Buckeye National Bank and Commercial Bank and Savings Co. consolidated as Buckeye Commercial Savings Bank.
	Lyons	Lyons Commercial Bank succeeded by Farmers State Bank.
	Steubenville	National Exchange Bank changed to National Exchange Bank and Trust Co.
	Wilmington	Clinton County National Bank changed to Clinton County National Bank and Trust Co.
Oklahoma	Beggs	American State Bank changed to American National Bank.
	Chickasha	Farmers State Bank changed to Farmers National Bank.
Pennsylvania	Philadelphia	Provident Life and Trust Co. succeeded by Provident Trust Co.
Tennessee	Knoxville	Mechanics Bank and Trust Co. succeeded by Bankers Trust Co.
Texas	Beaumont	Guaranty Bank and Trust Co. converted to City National Bank.
	Cisco	Guaranty State Bank and Trust Co. succeeded by Commercial State Bank.
	Wellington	City State Bank succeeded by City National Bank.
Utah	Ogden	First National Bank and Utah National Bank consolidated as First and Utah National Bank.
Virginia	Blacksburg	Bank of Blacksburg changed to National Bank of Blacksburg.
	Fries	Washington Banking and Trust Co. succeeded by First National Bank.
	Norfolk	Continental National Bank merged with Seaboard National Bank.
Washington	Palouse	Security State Bank converted into Security National Bank.
	Sunnyside	Sunnyside Bank changed to Sunnyside National Bank..

New and Regained Members from August 26 to September 25, 1922, Inclusive

Arkansas

Merchants & Planters Bank, Foreman 81-650.

California

Bank of Alameda County, Alvarado 90-540.
First National Bank, Hermosa Beach 90-1002

Georgia

Thomas B. Paine & Co., Atlanta.
Farmers Bank, Bremen 64-787. (Regained.)
American Bank & Trust Co., Cordele 64-144.
Savings Bank of Griffin, Griffin 64-115.

Idaho

Blaine County National Bank, Hailey 92-232. (Regained.)

Illinois

Hitz State Bank, Alhambra 70-1078.
Berwyn Trust & Savings Bank, Berwyn 70-2058.
Commonwealth State Bank, Chicago 2-166.
Fidelity Trust & Savings Bank, Chicago 2-300.
Garfield Park State Savings Bank, Chicago 2-222.
Hamilton State Bank, Chicago 2-309.
Humboldt State Bank, Chicago 2-275. (Regained.)
Keystone Trust & Savings Bank, Chicago 2-321.
Madison Square State Bank, Chicago 2-301.
Mutual National Bank, Chicago 2-290.
North Shore Trust & Savings Bank, Chicago 2-339.
South Shore State Bank, Chicago 2-263.
First National Bank, Geneva 70-582.
First National Bank, Malta 70-1435.

Illinois—Continued.

Peoples Trust & Sav. Bank, Ottawa 70-243.
Paloma Exchange Bank, Paloma 70-1517.
Bank of Prairie City, Prairie City 70-1535.
State Bank of Scales Mound, Scales Mound 70-1567.
Shermerville State Bank, Shermerville 70-1840.
Sycamore National Bank, Sycamore 70-452.
First State Bank, Tiskilwa 70-925.
State Bank of Union, Union 70-1691.
Waterman State Bank, Waterman 70-1648.
Western Springs State Bank, Western Springs 70-1912.

Indiana

Crawford County State Bank, English 71-743.
East Side State Bank, Indianapolis 20-78.
Farmers State Bank, Milford 71-1097.
State Bank of Warsaw, Warsaw 71-370.

Iowa

Louisa County National Bk., Columbus Junction 72-557. (Regained.)
Iowa State Bank, Hazleton 72-1755.
Farmers National Bank, Shenandoah 72-2009.

Kansas

Manhattan State Bank, Manhattan 13-126.

Kentucky

Bank of Benton, Benton 73-332.

Maine

Pepperell Trust Co., Biddeford 52-47.

Massachusetts

Federal Trust Co., South Boston Branch, Boston 5-138.
Sanford & Kelly, Fall River 53-26.
Atlas Trust Co., Indian Orchard 53-632.
Central National Bank, Lynn 53-80.
Atlas Trust Co., Springfield 53-108.
Atlas Trust Co., North End Branch, Springfield 53-108.
Federal Land Bank, Springfield.

Michigan

Detroit Savings Bank, Brady-Woodward Branch, Detroit 9-9.
Detroit Savings Bank, Canfield Ave. & Russell St. Branch, Detroit 9-9.
Detroit Savings Bank, Clay & Oakland Aves. Branch, Detroit 9-9.
Detroit Savings Bank, Dix-Junction Branch, Detroit 9-9.
Detroit Savings Bank, Fort & Campbell Sts. Branch, Detroit 9-9.
Detroit Savings Bank, Grand River-Warren Branch, Detroit 9-9.
Detroit Savings Bank, Gratiot Ave. Branch, Detroit 9-9.
Detroit Savings Bank, Hamilton-Collingwood Branch, Detroit 9-9.
Detroit Savings Bank, Highfield-Grand River Branch, Detroit 9-9.
Detroit Savings Bank, Holden-Hamilton Branch, Detroit 9-9.

Michigan—Continued.

Detroit Savings Bank, Jefferson-Hilger Branch, Detroit 9-9.
Detroit Savings Bank, Kercheval & Van Dyke Aves. Branch, Detroit 9-9.
Detroit Savings Bank, Linwood-Hazelwood Branch, Detroit 9-9.
Detroit Savings Bank, Mack-Gratiot Branch, Detroit 9-9.
Detroit Savings Bank, Michigan-24th Branch, Detroit 9-9.
Detroit Savings Bank, Oakland-Woodland Branch, Detroit 9-9.
Detroit Savings Bank, Trumbull-Grand River Branch, Detroit 9-9.
Detroit Savings Bank, Warren-Junction Branch, Detroit 9-9.
Detroit Savings Bank, Woodward-Milwaukee Branch, Detroit 9-9.
Dime Savings Bank, Hastings-Alexandrine Branch, Detroit 9-21.
Peoples State Bank, Fourteenth Ave. Branch, Detroit 9-10.
United States Nat'l. Bank, Iron Mountain 74-176.
Redford State Savings Bank, Redford 74-805.
Springwells State Bank, Detroit P. O., Springwells 74-1086.

Minnesota

Peoples State Bank, Harmony 75-1295.
Sibley County Bank, Henderson 75-788. (Regained.)
First National Bank, Jackson 75-216. (Regained.)

Missouri

American Trust Co., Hannibal 80-49.
Farmers State Bank, Ravenwood 80-1603.
Fidelity Trust Co., St. Joseph 36-63.

Nebraska

Fairbury Savings Bank, Fairbury 76-60.
Security State Bank, Lawrence 76-451. (Regained.)
Bank of Benson, Omaha 76-84.
Security State Bank, Shelton 76-1186.

New Hampshire

White Mountain National Bk., Gorham 54-122.
Citizens National Bank, Keene 54-63.

New Mexico

Mesilla Valley Bank, Las Cruces 95-115. (Regained.)

New York

Mechanics Savings Bank, Beacon 50-486.
Buffalo Trust Co., Amherst Branch, Buffalo 10-11.
Buffalo Trust Co., Clinton Branch, Buffalo 10-11.
Peoples Bank of Buffalo, Main-Tupper Office, Buffalo 10-13.
Germantown National Bank, Germantown 50-1054.
Atlas Bank, 39 Cooper Square, New York 1-328.
Atlas Bank, Clinton Branch, 158 Rivington St., New York 1-328.
Columbia Trust Co., Park Ave. & 48th St. Branch, New York 1-111.
Corn Exchange Bank, Burnside Ave. Branch, New York 1-45.
Green, Ellis & Anderson, 100 Broadway, New York.
Prince & Whitely, 52 Broadway, New York.
Wellington Bull & Co., Inc., 120 Broadway, New York.
Bank of the Manhattan Co., 1109 Liberty Ave. Branch, Brooklyn 1-2.
Bank of the Manhattan Co., 9320 Jamaica Ave., Brooklyn Manor, New York 1-2.
Corn Exchange Bank, Forest Hills, New York 1-45.
Bank of the Manhattan Co., Jackson Heights, New York 1-2.
Bank of the Manhattan Co., Maspeth, New York 1-2.
Bank of the Manhattan Co., Ozone Park, Woodhaven P. O., New York 1-2.
Bank of the Manhattan Co., 211 Beach 116th St., Rockaway Park, New York 1-2.
Syracuse Trust Co., North Side Branch, Syracuse 50-42.

North Carolina

National Bank of Commerce, Asheville 66-765.
Atlantic Bank & Trust Co., Burlington 66-135.

North Carolina—Continued.
Atlantic Bank & Trust Co., High Point 66-69.
Bank of Currituck, Moyock 66-730.
Wachovia Bank & Trust Co., Raleigh 66-763.

North Dakota
Tower City State Bank, Tower City 77-1047.

Ohio
Commercial Bank & Savings Co., Bluffton 56-622.
Guardian Savings & Trust Co., Euclid & 46th St. Office, Cleveland 6-66.
Guardian Savings & Trust Co., Euclid & 105th St. Office, Cleveland 6-66.
Guardian Savings & Trust Co., Cleveland P. O., Lakewood 6-66.
Bank of Westerville Co., Westerville 56-628.

Oklahoma
First National Bank, Kiefer 86-1195.

Pennsylvania
First National Bank, Birdsboro 60-1086.
Citizens National Bank, Corry 60-659.
Coudersport Trust Co., Coudersport 60-834.
Easton Dollar Savings & Trust Co., Easton 60-214.
Bank of Italy, Erie 60-80.
Peoples National Bank, Latrobe 60-507.
Broad Street Trust Co., Philadelphia 3-176.
Philadelphia Savings Fund Society, West Philadelphia Office, Philadelphia 3-54.
Green, Ellis & Anderson, Commonwealth Bldg., Pittsburgh.
Green, Ellis & Anderson, Union Bank Bldg., Wilkes Barre.

South Carolina
Peoples Bank & Trust Co., Marion 67-556.

Texas
Citizens National Bank, Crandall 88-853.
Continental State Bank, Groesbeck 88-571.
Citizens State Bank, Marble Falls 88-694.

Wisconsin
Cobb State Bank, Cobb 79-487. (Regained.)
Citizens State Bank, Genoa Junction 79-537.
Security Bank of Milwaukee, Milwaukee 12-76.
Wauwatosa State Bank, Wauwatosa 79-1019.

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Vice-President
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President Fletcher Savings and Trust Company
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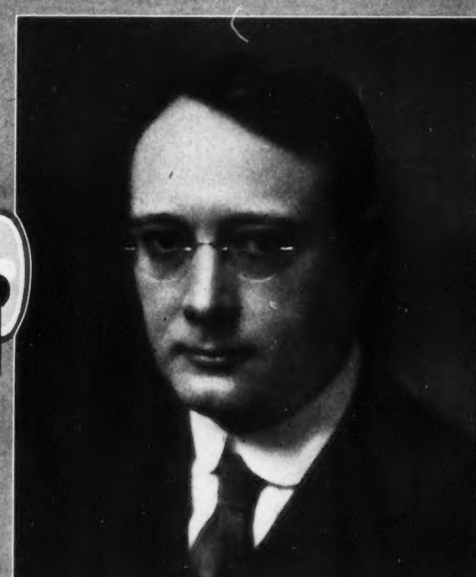

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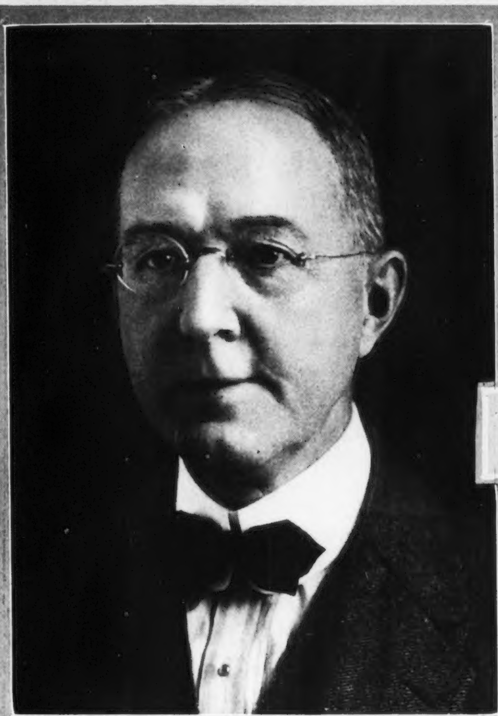

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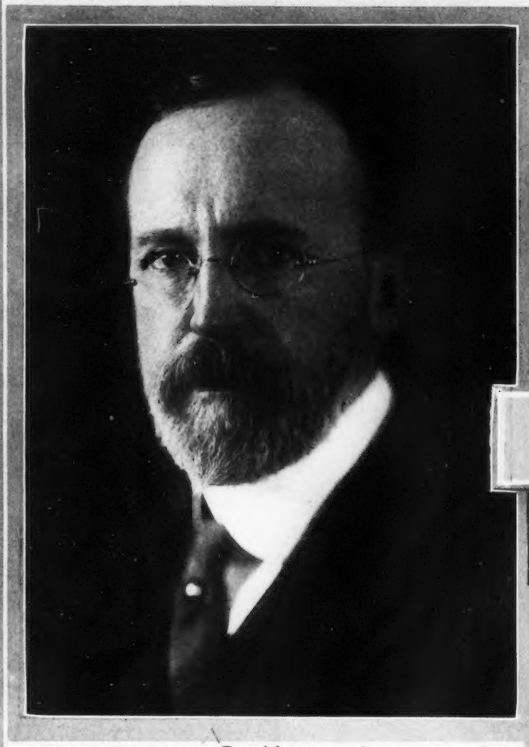

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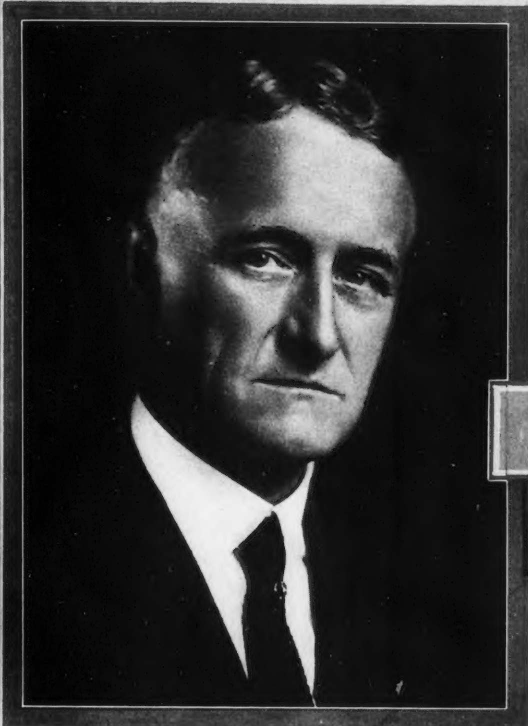

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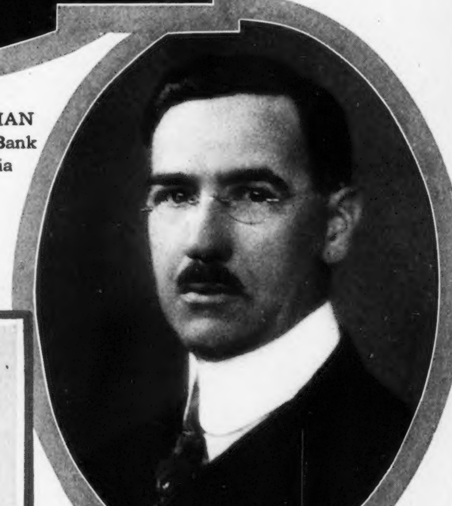
Northwestern National Bank, Minneapolis



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